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Annual Report of the
FEDERAL SECURITY AGENCY
1949

Social Security Administration

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The Annual Report of the Federal Security Agency contains the Administrator's report and the reports of all the Agency's constituent organizations. In addition, the following reports are issued as separate reprints:

- THE ADMINISTRATOR'S SUMMARY
- SOCIAL SECURITY ADMINISTRATION
- PUBLIC HEALTH SERVICE
- OFFICE OF EDUCATION
- FOOD AND DRUG ADMINISTRATION
- OFFICE OF VOCATIONAL REHABILITATION
- BUREAU OF EMPLOYEES' COMPENSATION
- SAINT ELIZABETHS HOSPITAL

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UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1950

For sale by the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. - Price 45 cents

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FEDERAL SECURITY AGENCY
1949

Social Security Administration

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FEDERAL SECURITY AGENCY

Oscar R. Ewing, *Administrator*

SOCIAL SECURITY ADMINISTRATION

Arthur J. Altmeyer, *Commissioner*
William L. Mitchell, *Deputy Commissioner*

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Bureau of Public Assistance
Jane M. Hoey, *Director*

Bureau of Employment Security
Robert C. Goodwin, *Director*

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Bureau of Federal Credit Unions
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Division of the Actuary
Robert J. Myers, *Chief Actuary*

Appeals Council
Joseph E. McElvain, *Chairman*

Letter of Transmittal

FEDERAL SECURITY AGENCY,
SOCIAL SECURITY ADMINISTRATION,
Washington, D. C., October 31, 1949.

The Honorable OSCAR R. EWING,
Federal Security Administrator.

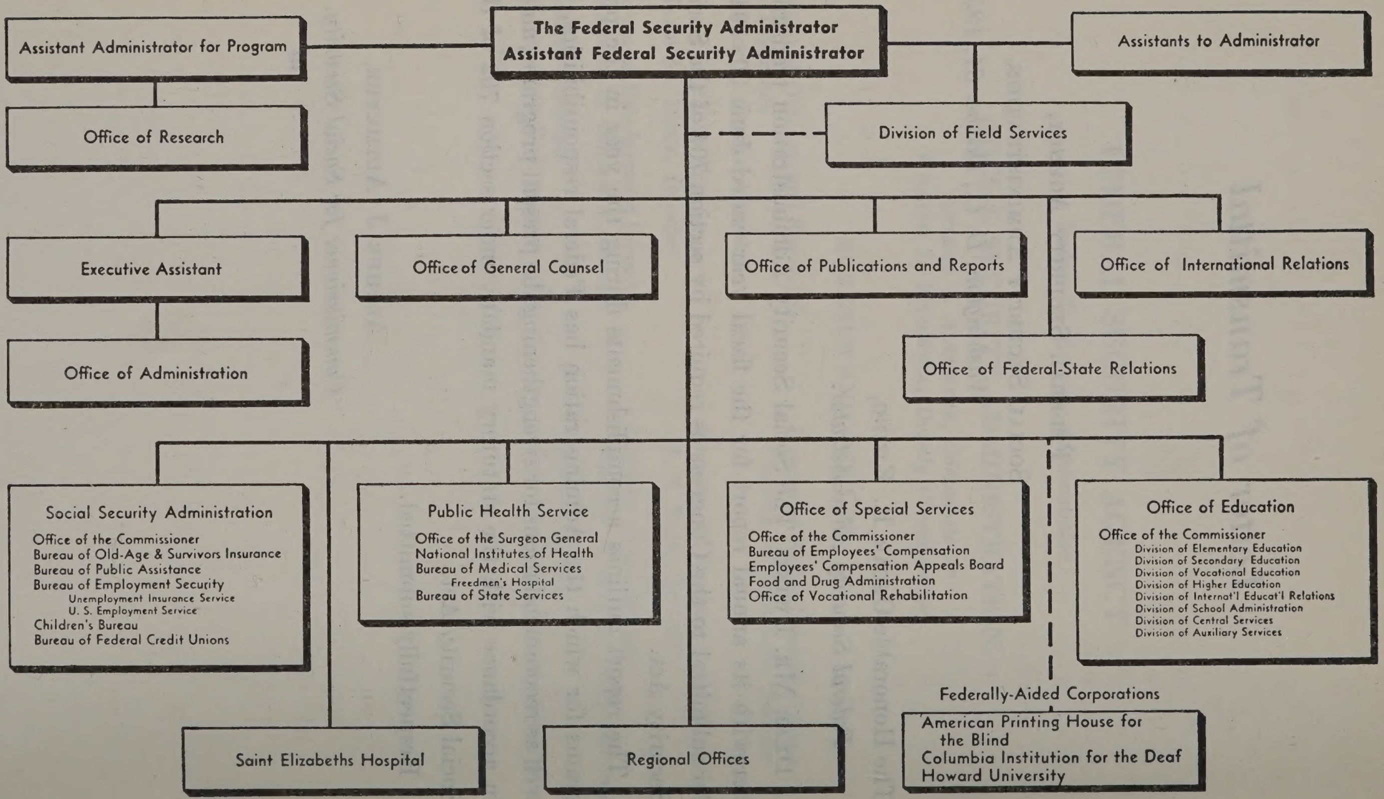
DEAR MR. EWING: The Social Security Administration transmits herewith its annual report for the fiscal year ended June 30, 1949, for submittal to the Congress as required by section 704 of the Social Security Act.

The report outlines accomplishments during the year in the programs for which the Administration has Federal responsibilities, as well as recommendations for strengthening the present programs, made in accordance with the statutory mandate under section 702 of the Social Security Act.

Respectfully submitted.

ARTHUR J. ALTMEYER,
Commissioner for Social Security.

FEDERAL SECURITY AGENCY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Assistant Federal Security Administrator
Assistant Administrator for Program
Office of Research
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Division of Field Services
Executive Assistant
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Office of Education
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Division of Secondary Education
Division of Vocational Education
Division of Higher Education
Division of Internat'l Educat'l Relations
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Division of Central Services
Division of Auxiliary Services
Federally-Aided Corporations
American Printing House for the Blind
Columbia Institution for the Deaf
Howard University
Saint Elizabeths Hospital
Regional Offices

Federal Security Agency

The Federal Security Agency was established on July 1, 1939, by Reorganization Plan No. 1 of 1939. The objective of the Plan, the President said, was to group together those agencies of the Government whose major purpose was to promote social and economic security, educational opportunity, and the health of the citizens of the Nation. Among the agencies so grouped by that Plan and by Reorganization Plan No. 2 of 1939 were the Social Security Board (including the United States Employment Service), the Office of Education, the Public Health Service, and the Federal functions of the American Printing House for the Blind.

Reorganization Plan No. 4 of 1940, effective June 30, transferred to the Agency the Food and Drug Administration, Saint Elizabeth Hospital, Freedmen's Hospital, and the Federal functions relating to Howard University and to the Columbia Institution for the Deaf.

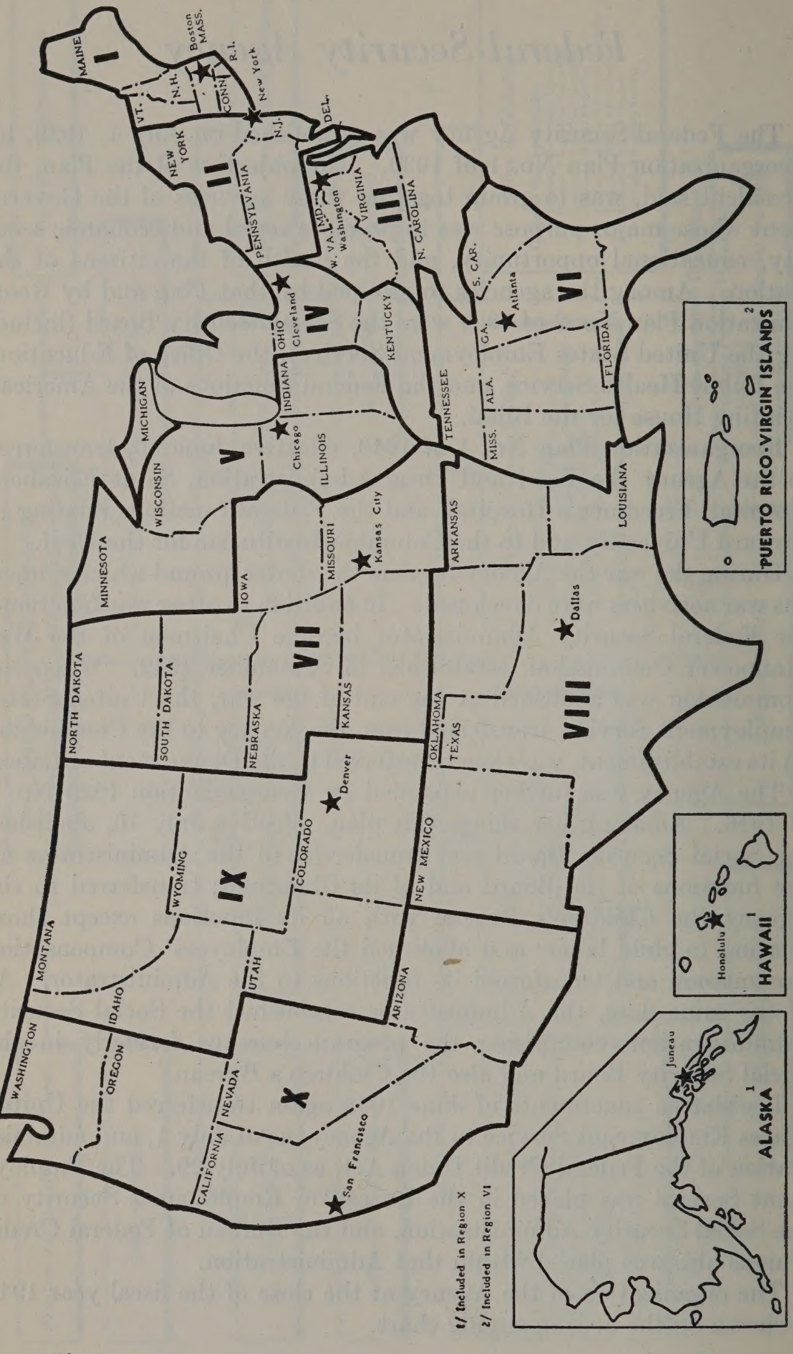
During the war the Agency became the center around which numerous war activities were developed. In addition to other war functions, the Federal Security Administrator became Chairman of the War Manpower Commission, established in September 1942. When the Commission was abolished at the end of the war, the United States Employment Service, transferred from the Agency to the Commission on its establishment, was then transferred to the Department of Labor.

The Agency was further expanded by Reorganization Plan No. 2 of 1946. Among other things this plan, effective July 16, abolished the Social Security Board and transferred to the Administrator all the functions of the Board and of its Chairman; transferred to the Agency the Children's Bureau with all its functions except those relating to child labor; and abolished the Employees' Compensation Commission and transferred its functions to the Administrator. As of the same date, the Administrator established the Social Security Administration, comprising the program bureaus formerly in the Social Security Board and also the Children's Bureau.

Legislative enactments of June 1948 again transferred the United States Employment Service to the Agency, as of July 1, and administration of the Federal Credit Union Act, as of July 29. The Employment Service was placed in the Bureau of Employment Security of the Social Security Administration, and the Bureau of Federal Credit Unions also was placed within that Administration.

The organization of the Agency at the close of the fiscal year 1949 is shown on the accompanying chart.

REGIONAL OFFICES OF THE FEDERAL SECURITY AGENCY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WYOMING
COLORADO
Denver
UTAH
NEW MEXICO
X
WASHINGTON
OREGON
IDAHO
NEVADA
CALIFORNIA
San Francisco
ARIZONA
PUERTO RICO-VIRGIN ISLANDS 2
HAWAII 1
Honolulu
ALASKA 1
Juneau

1/ Included in Region X

2/ Included in Region VI

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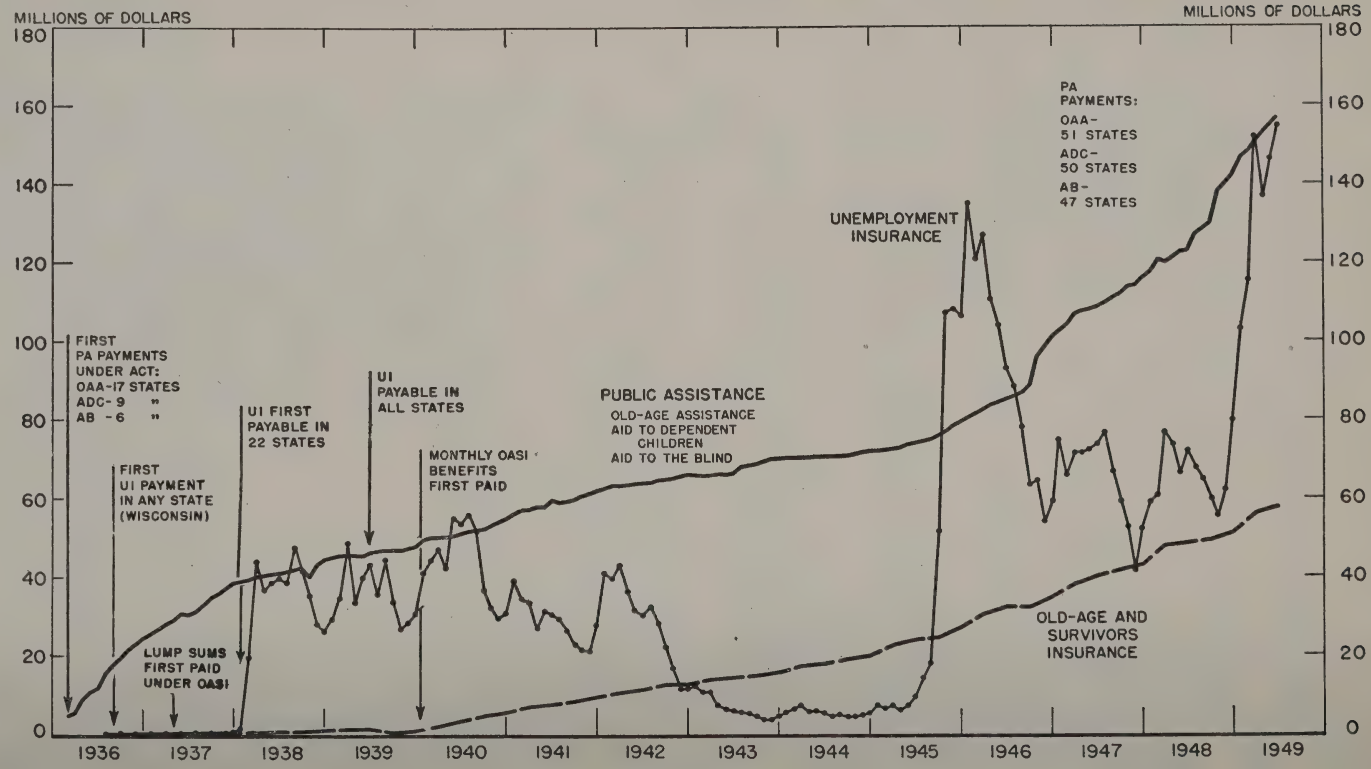
Chart 1.—PAYMENTS TO INDIVIDUALS UNDER THE SOCIAL SECURITY ACT



Social Security Administration

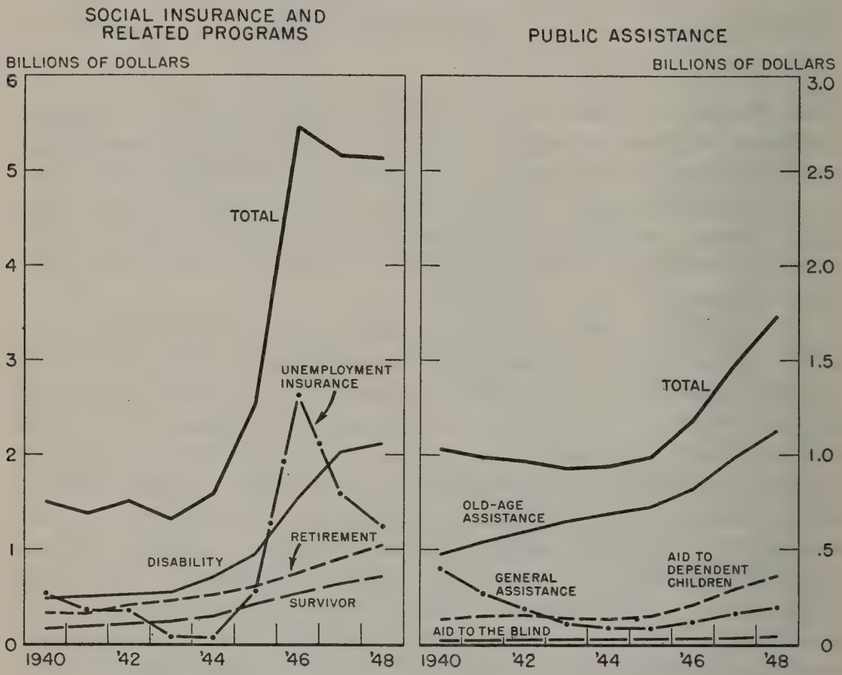
THE PROTECTION afforded by existing social insurance programs continued to grow during the fiscal year 1949. Although unemployment increased, more persons were at work in an average month than in the preceding year. Fifty million persons earned wage credits under old-age and survivors insurance in the calendar year 1948, and 46 million workers had some employment covered by State unemployment insurance.

On January 1, 1949, some 38 million workers were fully insured under old-age and survivors insurance and thus could be entitled to old-age benefits upon retirement at age 65 or later if they maintained insured status. Under the same program, 43 million workers had earned enough wage credits to make either a lump sum or a monthly benefit available to their survivors in the event of death. Thirty-seven million persons had enough earnings in covered jobs in 1948 to qualify for benefit in the event of unemployment. All these figures were the highest since the programs came into operation. At the end of the fiscal year, the assets of the old-age and survivors insurance trust fund stood at a peak level, while the assets of the unemployment insurance trust fund were only slightly below the June 1948 peak.

Experience in the fiscal year 1949 showed the importance of the social security program to workers and others affected by economic fluctuations even when the economy is operating at a relatively high level. The year was marked by record outlays for social insurance benefits and for payments for the special types of public assistance. Some of the growth in expenditures was attributable to the increase in population and the labor force and to the rise in unemployment. Part of it reflected the increase, effective October 1948, in Federal funds for public assistance. Part represented the expected growth in programs that have yet to achieve maturity, preeminently old-age insurance, to which a growing number of aged persons are entitled when they retire.

Five and one-half million workers drew unemployment benefits, almost half again as many as in the preceding fiscal year. Expenditures for benefits to insured unemployed individuals rose from $800 million to $1.2 billion. Payments to beneficiaries of old-age and survivors insurance totaled $607 million, as compared with $512 million in the preceding fiscal year. In June 1949, 2.6 million persons were receiving monthly benefits under this program, 18 percent more than in June 1948. The number of recipients of aid to the blind increased 7 percent during the same period, the number of old-age assistance recipients 11 percent, the number of children receiving aid to dependent children 19 percent, and the number of general assistance cases 26 percent. For the four public assistance programs as a whole, expenditures for assistance payments totaled $2.0 billion, 23 percent more than in 1947–48.

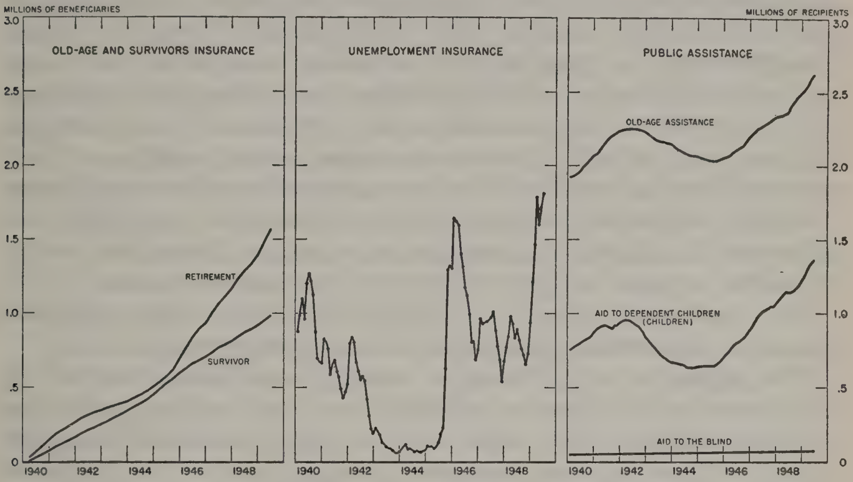
Chart 2.—INSURANCE AND ASSISTANCE PAYMENTS



These outlays for benefit and assistance payments, most of which went to the lower income groups in the Nation, were a significant contribution toward maintaining purchasing power in the face of declining income from production.

The year also registered progress in maternal and child health, in child welfare, and in standards of public assistance. Fewer mothers died in childbirth, and fewer infants in their first year of life. Services for mothers and children were strengthened and extended to new areas, and new programs for infants and children with special needs were initiated. State public assistance laws were liberalized to assure more effective coverage of the needy population and more nearly adequate assistance. Progress was made in helping States establish a State-wide standard of economic security for the needy. Additional Federal funds made available under the 1948 amendments to the Social Security Act enabled most States to increase their assistance payments.

Chart 3.—BENEFICIARIES AND RECIPIENTS UNDER THE SOCIAL SECURITY ACT



More effective coordination in handling of manpower problems and in identifying areas of rising unemployment for action by government was achieved by the integration of the U. S. Employment Service with the Social Security Administration's Bureau of Employment Security, effective July 1, 1948.[1] In recognition of the role of voluntary thrift in promoting family security, Congress also transferred from the Federal Deposit Insurance Corporation to the Federal Security Agency the administration of the Federal Credit Union Act as of July 29, 1948, resulting in the establishment in the Social Security Administration of the Bureau of Federal Credit Unions. Extension of credit union services to all who can be reached will result in a marked increase in the number of solvent families in the United States. It will also reduce the exploitation of people of small means which, in the United States as in other countries, has been practiced by illegal lenders through excessive charges for the use of money and credit.

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[1] Effective August 20, 1949, the Bureau of Employment Security was transferred to the Labor Department under Reorganization Plan No. 2.

Among events during the year of special significance for the country's social security program were the completion by the Advisory Council on Social Security to the Senate Finance Committee of its reports on public assistance and unemployment insurance, the release by the Commission on Organization of the Executive Branch of the Government of its recommendations in the field of social security, and the extensive hearings held by the House Ways and Means Committee in the spring of 1949 on needed changes in the old-age and survivors insurance, public assistance, and child welfare programs. The Committee's recommendations in both fields were pending as the fiscal year ended.[2] Increasing pressure for various types of pensions and health and disability insurance under union-management contracts emphasized the lag in the development of the public programs and the urgent need for action to expand and strengthen public provision for social security to meet the needs of all persons.

The year's developments left unchanged the major gaps and deficiencies in the existing framework of social security protection.

Two earners in every five in an average week in the first half of 1949 were in employment or self-employment not covered by old-age and survivors insurance; three wage or salary workers in every 10 had no protection against the risk of unemployment. Benefits under both programs were low in relation to living costs.

New York and Washington joined the small roster of States (California, New Jersey, and Rhode Island) with legislation for temporary disability insurance, but the great majority of the country's workers remained without substantial protection against wage losses due to illness.

Railroad and government employees continued to be the only sizable group of workers with public provision assuring some continuity of income during permanent disability.

Most Americans were without adequate provision for meeting the costs of serious illness.

In some parts of the country, public assistance was not available to all needy persons, and the income of many public assistance recipients, including their assistance payment, remained below the subsistence level. Maternal and child health and welfare services were not available in all areas.

These shortcomings of the present system are not caused by any fundamental conflict over the objectives of social security. They are due, instead, to the uneven development of provisions for meeting the changing needs of a highly industrialized country.

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[2] The recommendations were embodied in H. R. 6000, introduced by the chairman of the Committee on August 15, 1949. The bill passed the House of Representatives on October 5.

As in the development of measures to promote educational opportunities and further the health and welfare of the population, the programs now included under the broad term of social security were adopted at different times to meet emergent situations or the specific needs of groups whose insecurity had gained public recognition. The legislation grew out of a positive need for action and fitted into a developing pattern of governmental responsibility. Inevitably the result has been a patchwork system, with major gaps in the protection afforded under the system, serious differences in the protection available to different groups, and certain undesirable and unwarranted overlappings among the separate programs. Even the Social Security Act, significant as it was, was characterized by the Committee on Economic Security as a piecemeal approach, "dictated by practical considerations" but only a part of "the complete program which we must have ere long."

Over the years, some progress has been made toward a more complete and comprehensive program. Certain legislative changes, on the other hand, have worked toward less comprehensive coverage and more stringent limitations of the basic objectives. It has become necessary to reexamine the whole series of measures relating to social security, to remove inequities, fill in gaps, extend and coordinate provisions that have proved useful, and thus to work out a program that will be safer, stronger, and more effective.

Congress recognized the need for a thoroughgoing review of the whole program in resolutions adopted in 1945, 1946, and 1947, authorizing the Ways and Means Committee in the House and the Finance Committee in the Senate to study the need for changes in the Social Security Act. The reports of the technical staff to the Ways and Means Committee (1946) and of the Advisory Council on Social Security to the Finance Committee (1948, 1949) call attention to the impressive gains in economic security made since 1935, but underscore at the same time the continuing deficiencies in protection and the need for new and broader legislation. These reports, the testimony offered before congressional committees, and the studies of the Social Security Administration provide the basis for the recommendations which follow. After nearly 14 years' experience under the Social Security Act, the Social Security Administration believes that this country now has the information and experience necessary to strengthen social security in the United States.

A Program for the Nation

The necessary changes can be accomplished most effectively and economically, the Social Security Administration believes, by a comprehensive social security program, based on a national system of contributory social insurance that would enable the great majority of gainful workers and their families to maintain independence in the face of all common threats to economic security. Even with a well-developed contributory insurance system, however, there will always be some persons who will fail to qualify for insurance benefits or whose benefits prove inadequate for family maintenance or who need a variety of services for which they turn to a public welfare agency. For these groups there should be a supplementary Federal-State system of comprehensive welfare programs, including public assistance and family, adult, and child welfare services, as well as services to safeguard the health of mothers and children.

A single basic Nation-wide insurance system would bring into proper relationships the eligibility conditions, the amounts and duration of benefits, and the financing of the various programs. Moreover, the cash benefits paid would reflect more closely the wage loss the beneficiary has actually suffered, since his earnings in any job would be counted in computing his benefits.

Experience in the operation of old-age and survivors insurance, the most comprehensive single program of social insurance in this country, has clearly demonstrated the feasibility of decentralized administration of a Federal program giving individualized services through local offices that become as closely interwoven with the life of the local community as the local post office. It is also possible and desirable to have advisory councils and appeals bodies in the various areas of operation. Such bodies would provide for appropriate representation of the general public, of the persons who contribute to the system, and of the professional interests of particular groups, such as the medical and allied professions and hospitals.

Coordination of Social Insurance Policy

Old-age and survivors insurance and unemployment insurance cover largely the same workers and should move in the direction of greater uniformity of coverage. A close relationship now exists between these insurance programs of the Social Security Act in the exchange of information on new employers and in preparation of data for estimates of employment and wages. As programs for permanent and temporary disability and health insurance are added to the social security system, the same wage records and the same central, area, and local office staffs can be utilized, thus assuring simplified, economical, and decentralized administration.

In the development of legislative and administrative provisions for a comprehensive system, innumerable elements such as eligibility provisions, benefit formulas, dependents' benefits, claims and appeals procedures, and investment policies are common to more than one program. The development of temporary disability insurance, for example, involves close coordination with unemployment insurance, permanent disability insurance, and health and medical care plans. Problems of medical certification and rehabilitation are closely related aspects of temporary disability, permanent disability, and health insurance. In any consideration of social security legislation, the cost of a specific program must be weighed in relation to the costs of other programs and proposals. Methods of raising funds for a particular program through pay-roll taxes or general revenues and the effect of these methods on the economy should be evaluated in relation to methods used in other programs.

The Social Security Administration believes that a comprehensive contributory social insurance system should be financed in part through a Government contribution as well as the contributions of employers and employees. Provision for Government contribution for old-age and survivors insurance, if receipts from pay-roll taxes should become insufficient, is already on the statute books. A three-way division of cost makes possible a fair assessment of the three types of responsibility inherent in social insurance—individual, industrial, and social. Since a very large proportion of the population would have protection under such a system, a Government contribution from general tax funds would be warranted. The stabilizing effects of a comprehensive and adequate system would be of importance even for persons who did not share in it directly, and public costs otherwise necessary for assistance would be gradually reduced as the insurance system took over responsibilities that must now be financed from general tax funds.

Costs of a comprehensive system of social insurance must be considered in relation to the public and personal costs that exist in its absence. Whether or not there is social insurance, substantially the same costs exist in the form of losses of earnings from sickness, disability, unemployment, old age, and death, and in medical bills. When social insurance is lacking, these charges appear in the costs borne by the families concerned and the public that also foots a considerable part of the bill for relief and public welfare services, and in the loss of potential business and national income when many families are in economic distress. With social insurance, large losses suffered by a part of the population are distributed over the entire population. The relatively small but regular amounts paid out in social insurance benefits have an importance far beyond their size, both for those who receive them and for the economy as a whole.

Whatever method is adopted for achieving a comprehensive social insurance system, the Social Security Administration believes that the employment security program should continue to be related to the Nation's social insurance system. Only by effective coordination of the entire field of social insurance can the social security program make its maximum contribution to individual and family security as well as to the stability of business and the economy in general.

The Social Security Administration also believes that there should be constant review of the entire social security program, so that adjustments can be made from time to time to accord with economic developments and experience. Numerous proposals have been made for changes in the programs, which require continuing study and review. Such review and study require an adequate staff and sufficient appropriations to carry on effectively the necessary basic research. Sufficient funds should be made available so that advisory committees, representing the general public, the persons who contribute to the system, and the professional interests of particular groups concerned with a program can meet frequently, and so that the Social Security Administration can have the staff necessary to supply the members of such committees with relevant and current information.

Experience with advisory councils in 1935, 1938, and 1948 indicates, the Administration believes, the desirability of having an over-all advisory council periodically study the operation of the program and make recommendations for legislative changes. The Administration believes that the basic statute should provide for such periodic review.

At the end of the fiscal year, about 80 million living persons had built up wage credits under old-age and survivors insurance. Some 2.6 million persons were receiving regular monthly insurance benefits. Some 37 million persons were insured under State unemployment insurance laws. Approximately 5 million needy persons were receiving public aid. Next to national defense, expenditures for social security, broadly defined to include veterans' pensions and health and related programs, are the largest single item in the Federal budget. Federal grants to the States for social security purposes amount to more than 60 percent of all Federal grants. State unemployment insurance contributions account for approximately one-ninth of total State tax collections.

The size and importance of such a major segment of all public expenditures warrant not only the appropriation of adequate funds for research but also the appropriation of sufficient funds for public information. Right now, many individuals are losing valuable benefit rights because they lack information about the program. In a Nation-wide and dynamic program that affects actually or potentially the economic security and well-being of the vast majority of the population, such information must be provided continuously if the taxpayers, the beneficiaries, and the public as a whole are to know the provisions enacted by Congress for their protection and their rights and obligations under the law.

Summary of Recommendations

The reports of the Advisory Council and the legislative hearings and other developments of the past year have emphasized the fact that the present limited system of social security, comprising the various programs operating under the Social Security Act and under other separate legislative measures, is an inadequate and inequitable way of providing basic economic and social security for the Nation's gainfully employed persons and their families.

In presenting the following summary of the major recommendations for a comprehensive program, which are discussed in subsequent sections of this report, the Social Security Administration once more reaffirms its conviction that current economic conditions offer an exceptional opportunity to develop a comprehensive program that will provide the basic essentials of social security for all persons in all parts of the Nation. It believes that a Nation with an annual income in excess of $200 billion cannot afford *not* to strengthen all the economic and social defenses of free citizens in a democracy.

A COMPREHENSIVE SOCIAL SECURITY PROGRAM

A comprehensive, basic national system of contributory social insurance.—This basic program, covering all major risks to economic security and all workers and their dependents threatened by such risks, would include insurance against wage loss in periods of disability and against costs of medical care, for which no general provision now exists in the United States, as well as old-age and survivors insurance and unemployment insurance. Cash benefits would be related to past earnings and additional benefits provided for dependents. The program would be designed to eliminate existing gaps in the coverage of both persons and risks, to remove present inequities in the protection of workers and their families and in the financial burdens of employers, and to provide a consistent relationship, not only among the insurance provisions for the various risks covered but also between the provisions of the basic system and those of supplementary special systems in effect for particular groups. As compared with separate programs to meet particular risks, such a comprehensive system would reduce administrative costs and reporting burdens and simplify arrangements as they affect workers, employers, and public agencies.

A comprehensive program of public welfare, including public assistance and family and adult welfare services.—Under this program, on a Federal-State basis, payments and services financed from Federal and State funds would be available to any needy person in the United States, irrespective of the reason for need. The Federal financial contribution to such a program should be designed to remove the great disparities now existing in the treatment of various classes of needy persons and to reduce the disparities among the same programs in different parts of the country. The Federal Government should participate in payments made directly to individuals or to agencies authorized to supply medical services to needy persons.

The role of public welfare agencies should be strengthened by Federal participation in social welfare services for families and adults. Federal grants should be available to assist the States in developing such services to families and individuals who turn to the public welfare agencies for help that will enable them to keep the family together, to become self-supporting, to make use of community resources, or to solve individual problems in family or community adjustment. Research should be conducted on the causes of dependency and other factors affecting family life.

A comprehensive program of health and welfare services for children and research in child life.—Such a plan should provide for the progressive development of the full range of health and welfare services essential to the physical, emotional, and social well-being of our children, so that all children, wherever they live and whatever their income or race, would have access to such services. Research and investigation in child life are essential in supporting and guiding the development of these services and enriching our knowledge and understanding of the needs of children. Such research should approach the problems of child life from the point of view of the total child, his growth and development, and his place in society.

A comprehensive credit union program.—Under this program, credit unions sponsored by employers, labor unions, and other groups would be strengthened to become more effective instruments of self-help in promoting habits of thrift and better employee-employer relations.

Legislative changes that would assist in the achievement of the objectives outlined above are discussed more fully in subsequent chapters. In brief, the recommendations include:

OLD-AGE AND SURVIVORS INSURANCE

Coverage of all gainful workers, including agricultural and domestic employees, public employees and members of the armed forces, employees of nonprofit organizations, railroad employees, and self-employed persons, including farmers, small businessmen, and professional persons. Relaxation of geographical limitation on coverage to include Puerto Rico and the Virgin Islands and foreign service by American citizens for American employers.

Repeal of the legislation eliminating certain salesmen and adult news vendors from coverage.

Changes in the average monthly wage and benefit formula to increase benefits materially, increases in both minimum and maximum benefit amounts, and continuation of the 1-percent increment in the benefit for each year an individual is in covered employment.

Increase to $4,800 a year in the maximum amount of earnings taxable and to $400 in the maximum average monthly wage on which benefits are computed; expansion of the definition of taxable wages to include all tips, gratuities, and dismissal wages.

Increase in the amount of earnings a beneficiary may receive in covered employment without suspension of monthly benefits.

Reduction of the qualifying age for all women beneficiaries from 65 to 60 years.

Changes in eligibility requirements to make it easier for persons in newly covered employments and persons of advanced age to qualify for benefits.

Greater uniformity and greater equity in defining, for purposes of the insurance system, family relationships and conditions of dependency that qualify members of an insured person's family for benefits, especially with respect to the rights of dependents of women workers.

Payment of a lump sum in the case of every deceased insured wage earner.

Adoption of a long-range plan for financing old-age, survivors, and permanent disability insurance that looks toward an eventual tripartite division of costs among employers, employees, and the Federal Government.

UNEMPLOYMENT INSURANCE

Extension of the Federal Unemployment Tax Act to all employers of one or more workers in covered industries and to many excepted employments.

Repeal of the legislation eliminating certain salesmen and adult news vendors from coverage.

Provision for a weekly benefit that approximates 50 percent of the weekly wage for a claimant without dependents, and provision for supplementary amounts for claimants with dependents.

Provision of a maximum weekly benefit amount that will be not less than $30 for a claimant without dependents and $45 for a claimant with three or more dependents.

Provision of 26 weeks' potential duration of benefits for all claimants who meet the qualifying-wage requirement and whose unemployment extends over so long a period.

Provision that disqualifications for voluntary leaving without good cause, discharge for misconduct, or refusal of suitable work should entail only postponement of benefits for a period such as 4 or 6 weeks, rather than cancellation of benefit rights or reduction of benefits.

Definition of good cause for voluntary leaving or for refusing suitable work to include good personal reasons, not merely causes attributable to the job or the employer.

Earmarking the Federal share of the Federal tax for reinsurance and Federal and State administrative expenses.

DISABILITY INSURANCE

Provision under Federal law for cash benefits to insured workers and their dependents during both temporary disability (less than 6 months) and extended disability (6 months and over).

Provision for charging the insurance trust fund for providing medical, surgical, training, and other rehabilitation services to disabled individuals.

MEDICAL CARE INSURANCE

Insurance against the costs of medical care, including payments to physicians, dentists, nurses, hospitals, and laboratories, with provision for free choice of doctor and patient, decentralization of administration, and utilization of State administration.

PUBLIC ASSISTANCE AND FAMILY AND ADULT WELFARE SERVICES

Change in the basis of Federal financial participation to relate the Federal share more nearly to the financial resources of each State.

Increase in the maximums for aid to dependent children in order to provide more adequate care for children.

Specific requirement that a State, as a condition of plan approval, shall apportion Federal and State funds among localities in accordance with their need for funds.

Grants-in-aid to States for general assistance to any needy person, as well as for the special types of public assistance.

In aid to dependent children, removal of restrictions relating to the cause of a child's need in order to make assistance available for any needy child living with a parent or relative who maintains a family home for the child.

As a condition of plan approval, no person to be denied aid to the blind because of age.

Approval of the State plan to be conditioned on the absence of any citizenship requirement or any residence requirement that excludes an individual who resides in the State.

As a condition of plan approval, no State plan to require transfer of title or control of applicant's or recipient's property to the State or locality. The State would not be precluded from making a recovery from the estate of a deceased recipient for assistance that he had received, or from imposing a lien to secure this claim provided the applicant or recipient retained title and control of the property.

Authorization of Federal financial participation in payments made directly to individuals or agencies supplying medical services to needy persons.

Federal participation in assistance payments made to or in behalf of needy persons living in public medical institutions, except tuberculosis or mental hospitals. States to be required to establish and maintain suitable standards for all institutions of the types specified in the State plans as institutions in which recipients of assistance may reside.

Federal financial participation in social welfare services administered by the staff of the public welfare agency and designed to help families and individuals become self-supporting, to keep families together in their own homes, and to reduce the need for institutional care.

Extension to Puerto Rico and the Virgin Islands of Federal grants-in-aid for all assistance and welfare programs in which the Federal Government participates.

Study of the causes of dependency and other factors affecting family welfare, with a view to the development of suitable programs by public and private agencies for the advancement of family welfare.

Authorization and adequate appropriations for staff training for Federal-State public welfare programs.

CHILDREN'S SERVICES AND RESEARCH IN CHILD LIFE

Provision of adequate funds to strengthen and broaden the work of the Children's Bureau as a center of information related to child life; to assist in financing specific research projects in child growth and development and in child life by universities, schools, child research centers, agencies, and individuals; and to undertake original research and investigations that require Nation-wide study or that have Nation-wide significance to State and community programs for mothers and children.

Replacement of the present limitations in annual appropriations for child health and welfare services by an authorization for appropriations in amounts that are sufficient to provide for expansion of such services for children as rapidly as States can use additional funds effectively. State planning to proceed at a rate consistent with the availability of personnel and facilities that meet standards. Progress year by year toward the goal of making child health and child welfare services available in every local subdivision of the country.

Priority to be given by the States in developing their programs to groups of children in most urgent need—for example, children needing prolonged and expensive medical care; prematurely born infants; children with vision and hearing defects; children in need of health services and medical care in families receiving public assistance or social insurance; school children in need of health services and medical care; children in need of foster-home care; children in need of temporary care away from their own homes; children in need of day care; and children of migratory workers.

Legislation to provide that a definite percentage of the funds available for maternal and child health, crippled children, and child welfare services can be used by the Children's Bureau to promote effective measures on a national basis for carrying out the purposes of the programs, by demonstrations and evaluations of the means of carrying programs forward and by paying the salaries and expenses of personnel requested for temporary assignment by the State or local agencies, and for the administration of the programs.

Substantial Federal funds to be made available to increase the number of professional and technical personnel through grants to such educational institutions as medical, dental, nursing, social work, and public health schools, and through a system of fellowships and scholarships to individuals who will specialize in services to children.

FEDERAL CREDIT UNIONS

Authorization for State or regional agencies to provide discount facilities for State and federally chartered credit unions.

Authorization to permit employees of the Federal Security Agency to administer oaths on certificates.

ADVISORY COMMITTEES, RESEARCH, AND INFORMATION

Advisory committees for all programs, the committees to be composed of representatives of insured persons, employers, and the public, and of the professional interests of particular groups, such as medical and allied professions and hospitals.

Adequate appropriations and staff for research and program planning and for publication of research information of interest to Congress, employers, unions, and the public. Study of private and public retirement and welfare plans in relation to social security.

Adequate appropriations and staff for informational services to inform beneficiaries, employers, and the public of their rights and obligations under the Social Security Act and related laws.

The Major Risks to Security in 1948–49

UNEMPLOYMENT

Some 2.6 million persons were unemployed during an average week in 1948–49, about one-fourth more than in the preceding year. Public interest in unemployment towards the end of the year reflected in part concern over the trend rather than the absolute size of the problem. The unemployment ratio in an average month of the fiscal year—4 percent of the labor force—was well within the margin generally accepted as normal in the free movement of workers between jobs. During the winter and spring of 1949, however, the trend was generally upward; by June the number of unemployed persons reached 3.8 million—6 percent of the labor force. The June figure represented a rise of 73 percent from the June 1948 number and was 130 percent above the number in October 1948, the low month for the fiscal year.

Public concern was also aroused by the magnitude of the problem in some areas. In several New England States, unemployment in June 1949 was two or three times as high as in the country as a whole, and in some cities in various parts of the country it reached levels unknown since the depression 1930's.

About two-thirds of the workers without jobs during the year were eligible for unemployment benefits under existing laws. The number drawing unemployment benefits under State laws rose from a weekly average of 700,000 in October 1948 to 1.8 million in June 1949. For the fiscal year as a whole, beneficiaries averaged 1.2 million per week, nearly half again as many as in 1947–48. The number of beneficiaries under the unemployment insurance system for railroad workers also increased. On the other hand, fewer persons drew unemployment allowances under the Servicemen's Readjustment Act because of the rise in the number of veterans who had exhausted their rights under that law.

The number of claims filed for benefits under State laws during the fiscal year 1949 and the volume of benefit payments were the highest on record, exceeding even the peak in the 1945–46 reconversion year. In all, 5.6 million workers drew benefits, as compared with 3.8 million in the preceding fiscal year; benefit payments in the year totaled $1.2 billion, a rise of about 60 percent. As a result of heavy withdrawals, the unemployment trust fund declined, showing a net decline of $100 million between June 30, 1948, and June 30, 1949. Thirteen State accounts in the trust fund decreased during the year; the largest decreases were in New England.

Program	Average weekly number of beneficiaries (in thousands)		
	Fiscal year 1948	Fiscal year 1949	Percentage change
State unemployment insurance	815	1,188	+46
Railroad unemployment insurance	44	59	+35
Veterans' unemployment allowances	553	460	−17

The 5.6 million beneficiaries in the fiscal year 1949 represented about one in every seven workers with potential benefit rights. In the calendar year 1948, about 37 million persons, or about the same number as in 1947, earned sufficient wages to qualify for benefit in 1949 in the event of unemployment.

OLD AGE

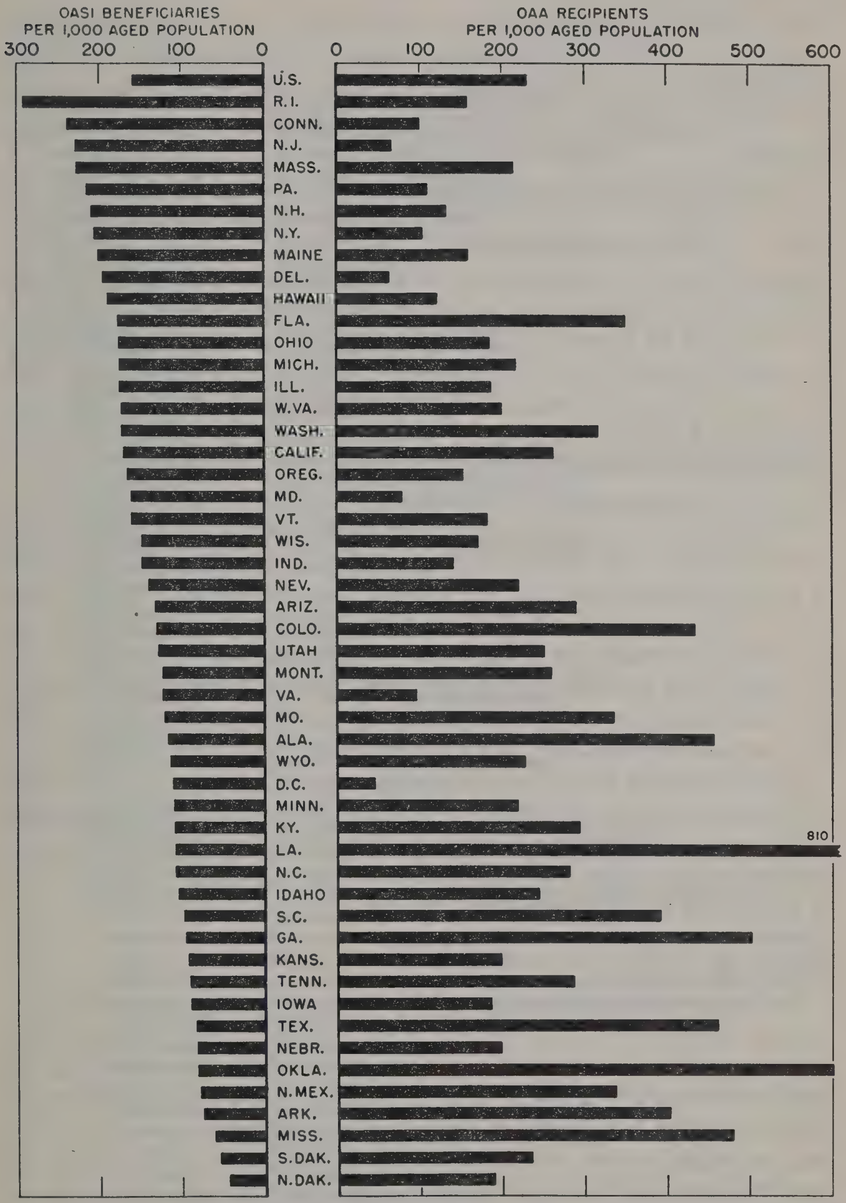
Old age is a period of diminishing physical capacity and economic resources. Legislation in this and other countries has taken these changes into account in making provision for the aged, as such, through social insurance or social assistance or a combination of both. It is appropriate therefore to consider the aged as a group in this brief inventory, even though not all old people have experienced loss of income.

In June 1949, as in earlier years, a large number of aged persons relied wholly or partly on earnings. Census data suggest that one in every three persons 65 years or over had some income from employment either as an earner or as the wife of an earner. Sixteen percent were beneficiaries of old-age and survivors insurance. Eight percent were receiving benefits under the special retirement systems for railroad and government workers or the veterans' program or were married to such beneficiaries. Twenty-three percent received

Source of income	Persons aged 65 years and over, June 1949 (in millions)		
	Total	Men	Women
Total in population	11.3	5.3	5.9
Employment	3.7	2.3	1.4
Earners	2.8	2.3	.5
Wives of earners	.9		.9
Social insurance and related programs:			
Old-age and survivors insurance	1.8	1.0	.8
Other programs	1.0	.5	.5
Old-age assistance	2.6	1.2	1.4

Chart 4.—AGED BENEFICIARIES AND RECIPIENTS

Number receiving benefits under old-age and survivors insurance and number receiving old-age assistance, June 1949.



Aged beneficiaries receiving primary, wife's, widow's, or parent's benefits at end of June. Population aged 65 and over, as of July 1949, estimated by Social Security Administration. U. S. average includes Hawaii.

old-age assistance. From 20 to 30 percent, the Social Security Administration estimates, depended exclusively on other resources—savings, investments, commercial annuities, industrial pensions, or aid from friends or relatives.

The principal changes between June 1948 and June 1949 in the relative size of these groups were increases in the proportion of aged persons with income from social insurance and related programs and from old-age assistance. The relative number with earnings remained the same.

Among the programs, the largest growth was in old-age and survivors insurance. The number of aged beneficiaries rose 22 percent, from 1.5 million to 1.8 million. The increase reflected in part the continued gain in the number of aged workers with fully insured status during a period of relatively little change in job opportunities for the aged as a group. At the beginning of 1949 approximately 38 million persons were fully insured, including 2 million aged 65 years and over, and 5 million others were currently insured. Another 36 million, however, had earned some wage credits in 1948 or earlier years but were uninsured, largely because of movement into and out of the labor force and shifts between covered and noncovered jobs.

The disparity between the need for protection against loss of income in old age and the ability to acquire such protection explains part of the continued growth in the old-age assistance rolls. Most recipients of old-age assistance have not had an opportunity to build up insurance protection for old age. Between June 1948 and June 1949, the number of recipients of old-age assistance increased by a quarter of a million, the largest annual increase in a decade. Almost half of this increase occurred in California and Louisiana, where new legislation substantially liberalized eligibility requirements. In June 1949, 35 States had more recipients of old-age assistance than beneficiaries of old-age and survivors insurance; this group of States fell almost entirely in the lower two-thirds of the States ranked by proportion of workers in covered industry.

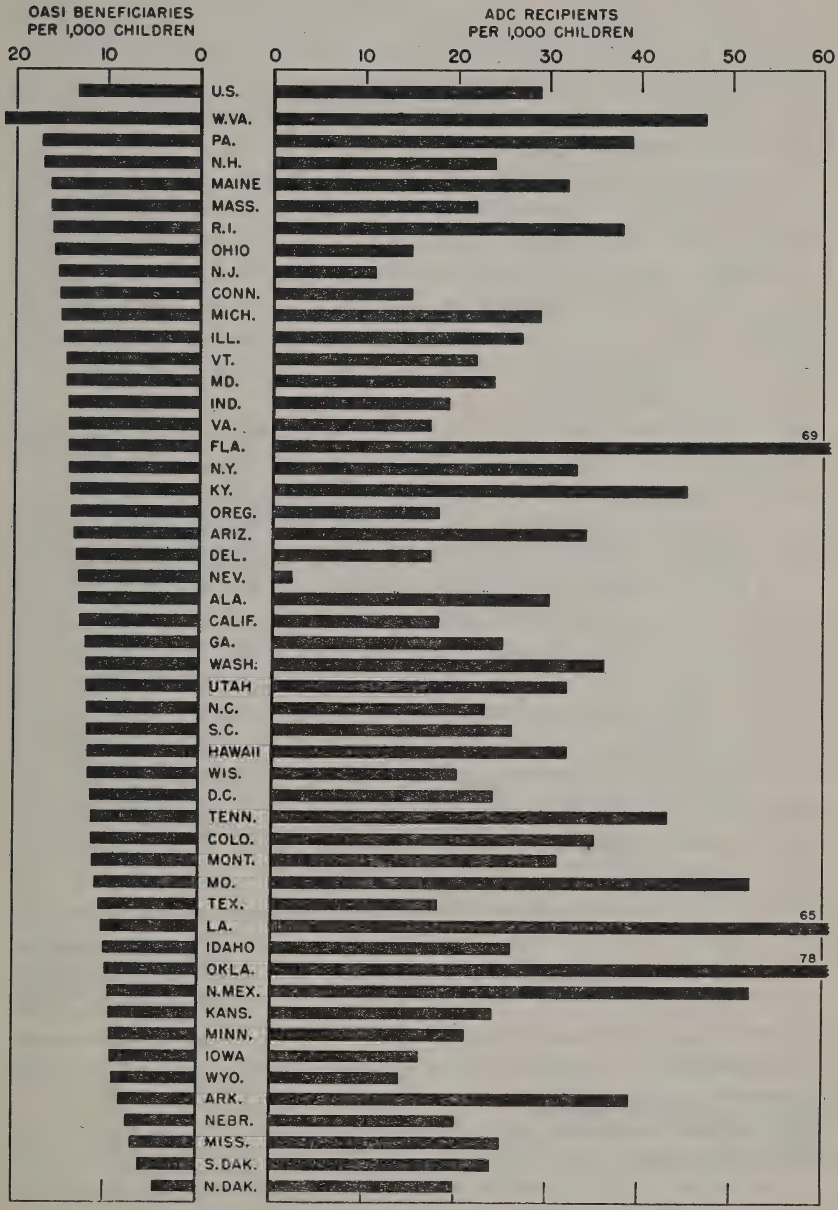
DEATH OF THE FAMILY EARNER

Modern social security legislation assumes a strong presumption of income loss in the death of the family earner. Not all survivors, however, sustain an income loss, while others make up part or all the loss by entering or returning to employment. Only when employment of the survivor is unlikely or undesirable socially does it seem necessary to make social provision to replace income. The groups of survivors generally recognized for benefit purposes are aged widows, aged parents, children and younger widows with children.

Of some 600,000 widows under age 65 in the country in June 1949

Chart 5.—CHILD BENEFICIARIES AND RECIPIENTS

Number receiving benefits under old-age and survivors insurance and number receiving aid to dependent children, June 1949



Population under age 18, as of July 1, 1948, estimated by Bureau of the Census. U. S. average includes Hawaii. Recipient rate for Nevada is for program administered without Federal participation.

who had not remarried and had children under age 18 in their care, about half were working, some 24 percent were receiving benefits under the old-age and survivors insurance system, about 18 percent were receiving benefits under the veterans programs, and some 2 percent were beneficiaries of other social insurance programs, while perhaps 18 percent were in families receiving aid to dependent children. These percentages total more than 100 because some widows received income from more than one program and a significant number of those who were receiving benefits were also working.

The largest group of survivor beneficiaries consists of children under age 18. In June 1949, according to estimates of the Social Security Administration, there were perhaps 2.6 million fatherless children in the country, of whom about 23 percent were receiving benefits under old-age and survivors insurance and about 11 percent under veterans programs, while some 12 percent were receiving aid to dependent children. An unknown number of these children were not living with the surviving parent.

More fatherless children were receiving old-age and survivors insurance than aid to dependent children, in contrast to the situation among the aged, of whom more received old-age assistance than old-age and survivors insurance. Child survivor beneficiaries in June 1949 numbered 582,000, or almost twice as many as the approximately 300,000 fatherless children on the rolls for aid to dependent children. The restrictions of insurance coverage, noted earlier, make for differences in this proportion among the States. The States with relatively more opportunities for employment in covered occupations (industry and commerce) have a higher ratio of child beneficiaries to children receiving assistance than the country as a whole. Only six States (Louisiana, Mississippi, New Mexico, Oklahoma, South Dakota, and North Dakota) had a larger number of fatherless children receiving aid to dependent children in June 1948 than old-age and survivors insurance.

Source of income	Widows under age 65, unremarried with children under age 18, June 1949 (in millions)	Fatherless children under 18, June 1949 (in millions)
Total in population	0.6	2.6
Employment	.3	.1
Social insurance and related programs:		
Old-age and survivors insurance	.1	.6
Other	.1	.3
Aid to dependent children	.1	.3

DISABILITY

Except in periods of severe unemployment, the loss of income attributable to disability is by far the most serious as well as the most common loss experienced by wage or salary earners. A special survey conducted by the Bureau of the Census in February 1949 at the request of the Social Security Administration, the Public Health Service, and the Office of Vocational Rehabilitation indicated that perhaps 4.6 million persons in the ages 14 to 64 were disabled on the survey day, exclusive of persons in institutions. Of the total, about 3.1 million had been employed at some time before the onset of their disability, and it may be presumed that all or nearly all of them had withdrawn from the labor force because of disability. The illness or handicap had lasted less than 6 months for 2.5 million persons, 6 months or more for 2.1 million. Including the institutional population, the number of disabled persons in the ages 14 to 64 may have totaled some 5.3 million on the survey day, and the number who would have been in the labor force but for their disability may have been between 3.5 and 3.8 million.

Most of the wage loss caused by disability goes uncompensated. Workmen's compensation—for which about $310 million in disability benefits was paid out in 1948—is available now in all States, but the disability attributable to injuries of a work-connected origin accounts for only about 5 percent of all disabling illnesses and injuries.

For temporary disability not due to work-connected causes, provision in June 1949 was limited to sick-leave arrangements of individual employers, private group and individual insurance, and the cash sickness insurance systems in effect in Rhode Island, California, and New Jersey and in the railroad industry. Each of these State programs has the same coverage, and is administered by the same agency, as the State's unemployment insurance system. In 1948–49, the average weekly number of beneficiaries was 4,800 in Rhode Island. In California, beneficiaries of the State-administered program averaged 19,800 per week and in New Jersey, where first payments were made in January 1949, 2,300 per week; these figures do not include beneficiaries under permitted alternative private plans, which, in June 1949, enrolled 43 percent of the covered workers in California and 63 percent of those in New Jersey. Approximately 33,000 workers drew temporary disability benefits in an average 14-day benefit period under the railroad plan. Together these four public systems for temporary disability covered about 12 percent of the estimated 46 million wage or salary workers employed in the United States in an average week in the first half of 1949.

A cash sickness benefit program was adopted by New York in

April 1949, with benefit payments to begin July 1, 1950. A similar measure was approved in the State of Washington in March 1949; contributions were scheduled to begin in July 1949 and benefits in January 1950, but under a petition filed with the State authorities the effective dates were suspended pending the outcome of a referendum in the November 1950 election. The New York program will be administered by the workmen's compensation agency, whereas the program in Washington is to be under the jurisdiction of the unemployment insurance agency. If these two programs had been in effect in January–June 1949, about 23 percent of the wage and salary workers in the country would have been covered by public programs against the risk of wage loss due to temporary illness.

Under legislation in effect in June 1949, public protection against loss of earnings due to non-work-connected permanent disability was available only to government workers, railroad employees, and veterans. In that month some 39,000 disability annuitants were on rolls of the Federal civil-service retirement and disability fund, and about 29,000 persons were drawing permanent disability benefits under programs for employees of State and local governments. Some 70,000 railroad workers retired for disability were drawing benefits at the end of the month. A substantial proportion of such annuitants were past age 65.

About 2.3 million veterans were drawing annuities or compensation for age or disability. The great majority were partially disabled and are not included in the estimate of 2.1 million persons considered to be permanently and totally disabled.

Needy disabled persons who do not qualify for benefits under the limited public insurance provisions now in effect often turn to public assistance for support. In June 1949, 71,000 persons were receiving aid to the blind under the Social Security Act and an additional 18,000 were aided in three States administering programs without Federal participation. Among the 537,000 families receiving aid to dependent children, perhaps 125,000 included an incapacitated father. Disabled wage earners may have been included in as many as 150,000 of the 460,000 cases receiving general assistance.

MEDICAL CARE

The costs of medical care create an important common economic risk because the costs may be very large and, in general, no person knows in advance when he may fall ill or what expenses he may incur for his illness. Like certain other risks, such as disability and death of the family earner, the frequency of illness, the amount of medical care needed, and the costs to be incurred by a large group of persons or by the population as a whole can, on the other hand, be predicted in advance. These two characteristics of illness and its costs—the impossibility of predicting its individual incidence and the availability of information on its total incidence—make it an appropriate problem for solution through social insurance.

Unlike nearly all other industrial nations, the United States has no public provision for meeting medical care costs on an insurance basis. Most illness in this country is paid for as it occurs, by the individual affected. This is a satisfactory arrangement for the very few persons whose means are sufficient to meet even the most expensive illness. It is not satisfactory, however, for the great majority of persons, who are reluctant to seek medical advice if heavy costs may be involved, who often delay in obtaining medical attention when it can be most effective, and for whom serious illness generally means a severe strain on family finances, if not exhaustion of savings and heavy debts. It is not satisfactory for low-income areas in particular, where low purchasing power has resulted in few doctors and fewer hospitals. Hence the increasing interest in recent years in other ways of paying medical costs.

Public interest in medical care insurance was at a high level throughout the fiscal year 1949. Discussion was stimulated by increasing awareness of the shortages of facilities and personnel in most parts of the country, growing recognition of the economic barriers to good medical care, and controversy concerning particular programs proposed to overcome shortages and bring good medical care within the reach of all people.

In May 1948 the National Health Assembly met in Washington, examined all major aspects of health conditions and needs, and assessed the problem of medical care costs. Drawing heavily on the work of the Assembly, the Federal Security Administrator submitted a report to the President in September 1948 on the state of the Nation's health. The report reviewed the health gains made in recent years but also stressed the severe and continuing losses suffered through preventable sickness, disability, and death. It proposed aid to medical education to increase the supply of medical personnel, acceleration of hospital construction, better community coordination of existing facilities for medical care, extension of public health services to areas now lacking them, expansion of maternal and child health programs, larger expenditures for research, and a national health insurance program.

On April 22, 1949, the President sent Congress a special message recommending a comprehensive national health program. The President offered two objectives for consideration—adequate health and medical services to meet the Nation's need, and access for everybody to the services. As measures to achieve these objectives he recommended enactment of a Nation-wide system of health insurance, Federal aid for medical education and for research, expansion of the present grant-in-aid programs for hospital construction, public health services, maternal and child health services and services for crippled children, and modification of matching requirements in accordance with the differing financial resources of the States. References to the need for congressional action along these lines had earlier appeared in his State of the Union message and in his economic report.

The President's proposals were subsequently embodied in bills introduced in the House and the Senate and, along with bills proposing alternative approaches, became the subject of hearings which were still in progress when the fiscal year ended. The hearings before the Subcommittee on Public Health, Science and Commerce of the House Committee on Interstate and Foreign Commerce represented the first consideration ever given by a House committee to the subject of national health insurance. The sessions held by the Subcommittee on Health of the Senate Committee on Labor and Public Welfare comprised another chapter, on the other hand, in a series of hearings that began in 1939.

Testimony offered before both Committees and views advanced in print and over the air revealed general agreement on the need for prepayment of medical costs. The increasing complexity of health services, specialization in medical practice, and the more common use of elaborate hospital, clinic, and laboratory facilities have made good care more expensive, so that it has become increasingly difficult for people to pay for the high costs of adequate care of serious or prolonged illness. The solution attractive to the common sense of an increasing number of persons each year is to budget such costs on a prepayment basis, so that money will not be a barrier to needed modern medical care, which more and more people want.

The appeal of prepaid care is evident in the growth of voluntary plans in recent years. Approximately 32 million persons were enrolled in Blue Cross hospital insurance plans in June 1949, and about 15 or 16 million were members of medical care insurance plans, most of whom also had coverage for hospital care. By the end of 1948, it is estimated, 26 million persons had purchased partial indemnity against hospital costs through commercial insurance companies on either a group or individual policy basis, while 20 million, including many of the 26 million just mentioned, carried policies reimbursing them for some limited part of their medical care costs. Useful as the voluntary insurance plans have been in enabling many people to purchase medical care on a planned basis, they give little promise of meeting the full needs of the country. They cover fewer than half the population, reaching least effectively those who need it most.

They have done little to raise the medical purchasing power of people in low-income areas, where medical facilities and personnel are sparsest. To persons who have enrolled, most of the plans offer at best only a partial protection against medical care costs, confined in most cases to a maximum number of days of hospital care and to surgical and obstetrical treatment for hospitalized cases.

There were many disagreements on the role of government in the broader application of the prepayment principle. The President's proposal called for a system covering nearly all people in the country, with a decentralized administration, and financed as in the case of other social insurances by contributions from workers and employers. Other proposals varied from government subsidy of voluntary plans for all persons who may wish to insure to subsidies to the needy and very low income groups only. The issue was still unresolved as the year closed.

Old-Age and Survivors Insurance

The record levels of industrial activity reached in the calendar year 1948 were reflected in new peaks in covered employment and earnings under old-age and survivors insurance. More persons worked in covered jobs and both total and average taxable wages were higher than in any previous year.

The estimated number of persons at work in covered imployment fell, however, from 35.9 million in June 1948 to 34.1 million in June 1949. The decrease resulted from the business readjustment, which occurred on a broad front during the winter and spring of 1949, after having proceeded slowly and within small segments of business during the closing months of 1948.

OLD-AGE AND SURVIVORS INSURANCE IN THE FISCAL YEAR 1949

Legislative Consideration

Although no legislation on old-age and survivors insurance was enacted during the fiscal year, the program received considerable legislative attention. In February 1949, H. R. 2893, a bill "To extend and improve the old-age and survivors insurance system, to add protection against disability, and for other purposes," was introduced at the request of the President by Chairman Doughton of the Committee on Ways and Means. This bill, discussed in a later section, has special significance for the Social Security Administration because, in general, it incorporates the improvements which the Administration has urged for many years. The Committee held extensive public hearings on the bill, and at the end of the fiscal year was holding executive sessions on the question of improving the insurance program.

Applicants for Account Numbers

The 2,720,000 new social security account numbers issued in the calendar year 1948 increased to 92.3 million the cumulative total of employee accounts established. Although fewer account numbers were issued than in any previous year, the decline in 1948 was only 0.3 percent from the number in 1947 as compared with declines of 9 percent and 10 percent, respectively, in 1946 and 1947.

As in almost every year since 1940, an increased proportion of the applicants for account numbers were under 20 years of age. In 1948 they constituted 65 percent of the total, the largest proportion on record; in 1947, they were 59 percent. The number and proportion of account numbers issued to persons 60 years of age and older, on the other hand, was the smallest on record.

Workers and Their Wage Credits

By January 1, 1949, there were 78.9 million living persons who had earned wage credits under old-age and survivors insurance at some time after January 1, 1937, when the insurance system began operating. Some 3.4 million of these workers, or about 4.3 percent, were aged 65 and over.

The total number of workers employed in covered jobs at some time during the calendar year 1948, estimated at 49.6 million, was the largest on record. This rise reflected, of course, the generally high employment levels of the most prosperous and productive year in the Nation's history. The total amount of wage credits earned by these 49.6 million workers during 1948 was $82.8 billion, about three-fifths the amount of all the wages and salaries paid to all workers and salaried employees in covered and noncovered employment. The total amount of wage credits in 1948 was 7.7 percent more than the previous record of $76.9 billion in 1947. It was almost one-third again as high as the wartime peak of $63.4 billion in 1944 and almost three times the $29.6 billion that workers in covered employment earned in the first year of the system's operation. Average annual wage credits in 1948 were $1,669, again the highest on record, representing an increase of 6.8 percent over the previous high of $1,563 in 1947. In the first year of the system's operation, annual wage credits averaged only $899 per worker.

An estimated 2.8 million persons received their first wage credits in 1948. These new entrants, although slightly more in number than in 1947, formed a smaller proportion of the total number of workers receiving wage credits than in any previous year.

Insurance Status

By the beginning of 1949 an estimated 38.3 million living persons were fully insured under the program, about 1.5 million or 4.1 percent more than on January 1, 1948. Among them were 13.2 million who were permanently fully insured, an increase of 1.9 million over 1948; they had acquired sufficient quarters of coverage to remain fully insured throughout their lifetime without additional covered employment. Approximately 2 million of the permanently insured workers were aged 65 and over at the beginning of 1949, and about half these older workers were currently receiving benefits. Most of the 930,000 not receiving benefits were still working in covered employment.

In addition to the 38.3 million who were fully insured, 5.1 million workers were currently but not fully insured on January 1, 1949. Thus of all living persons who had worked in covered employment at some time during 1937–48, 55 percent were insured at the beginning of 1949. The corresponding proportions for January 1, 1948 and 1947, were 56 and 55 percent. From January 1, 1948, to January 1, 1949, the number of permanently insured living workers increased 17 percent, the number fully but not permanently insured decreased 1.6 percent, the number only currently insured decreased 18 percent, and the number uninsured increased 5 percent.

The majority of persons who had some wage credits during 1937–48 but were not insured had worked in covered employment in too few calendar quarters to gain insurance protection. Many of them had withdrawn from covered employment in the early years of the system, others had entered it too recently to obtain a sufficient number of quarters of employment, and others had been employed in covered jobs only intermittently as seasonal and part-time workers. The cumulative amount of taxable wages these uninsured workers had received was comparatively small. On January 1, 1948, for example, the average amount of wage credits accumulated by living uninsured workers during the preceding 11 years was only $1,300, as against $12,200 for workers fully insured at that date, and $5,500 for those only currently insured.

Beneficiaries and Their Benefits

The number of persons receiving monthly benefits rose steadily throughout the fiscal year, from 2.2 million on June 30, 1948, to 2.6

million on June 30, 1949, an increase of 18 percent. The monthly amount of their benefits increased from $42.4 million to $51.5 million. Of the 2.6 million beneficiaries, 46.2 percent were retired workers, 14.1 percent were wives of these workers, 24.1 percent were children of retired or deceased workers, 5.9 percent were widows who were caring for child beneficiaries, 9.3 percent were aged widows, and 0.5 percent were aged dependent parents of deceased workers. Persons aged 65 or over comprised 70.1 percent of the total number receiving benefits as of June 30, 1949, as compared with 67.7 percent a year earlier.

During the fiscal year, monthly benefits were awarded to 622,000 persons, 2 percent more than the previous year's record total. Almost 295,000 of these awards were to retired workers.

The 2.6 million persons receiving benefits as of June 30, 1949, represented 1.8 million families. In 45 percent of the families only a retired worker was receiving benefits. The average benefit being paid to a retired worker with no dependents receiving benefits was $26.20 for men and $20.40 for women. For a retired worker and his wife, the average was $41.00. In survivor families, the average benefit for aged widows was $20.70, and for a widowed mother and one child, $36.30.

Amounts certified to the Treasury Department for payment during the year totaled $595 million for monthly benefits and $32 million for lump-sum payments, increases of 19 percent and 3 percent, respectively, over the amounts certified during the preceding fiscal year. These amounts included $2.9 million certified for monthly benefits and $679,000 for lump-sum payments payable under section 210 of the Social Security Act to survivors of World War II veterans. These benefits would not have been payable if special provision had not been made under the 1946 amendments for guaranteeing protection to the survivors of a veteran who died within 3 years following his discharge from military service.

Benefits were also awarded to survivors of 13,300 deceased workers who had earnings under both the old-age and survivors insurance and the railroad retirement system.

Appeals

During the fiscal year, 2,171 requests for hearings were filed, expressing dissatisfaction with administrative determinations regarding entitlement to benefits, benefit amounts, suspension or termination of benefits, or the amounts posted to individuals' wage records. In addition, 566 appeals were carried over from the preceding year. Hearings were completed in 2,237 cases during the year, and the referees disposed of 2,294 cases, including some heard previously. The original actions of the Bureau of Old-Age and Survivors Insurance were modified, in the claimants' favor, by about one-sixth of these decisions. At the close of the fiscal year, 23 civil actions on claims were pending in the courts; four of the 12 such cases decided during the year upheld the Administration's position. Of the 58 court decisions rendered since the appeals provisions of the 1939 amendments became effective, 37 upheld the Administration's action.

Administrative Developments

Conferences with representatives of other Government agencies resulted in coordination and clarification of policy and procedure. Improved coordination with the Veterans Administration on section 210 cases resulted in saving time in processing these claims. Most of the problems arising out of the 1948 amendment to the Railroad Retirement Act (Public Law 744, 80th Congress) have been solved. In effect, this amendment guarantees a payment equal, at least, to the worker's contributions under the railroad retirement program, with an added allowance in lieu of interest, to the survivors of a worker who dies after 1946. The records of the Bureau of Old-Age and Survivors Insurance have been made available to the Railroad Retirement Board for obtaining the information necessary for the administration of the new law.

Public Law 642, enacted June 14, 1948, presented difficult administrative problems. This law redefined the term "employee" in the Social Security Act. The amended definition excluded from coverage any individual who, under the usual common-law rules applicable in determining employer-employee relationship, has the status of an independent contractor, and any individual (other than an officer of a corporation) who is not an employee under such common-law rules. All coverage determinations made by operating personnel with respect to these rules were examined to assure uniformity of application and to resolve problem areas.

Because of the increase in the number of equitable entitlement cases occasioned by the 1946 amendments, procedures were devised to facilitate payment on behalf of nonadministered estates. These procedures provide for payment of a lump sum on behalf of an equitably entitled estate to a relative of the wage earner with the consent of the closest relatives. A major change was made in handling cases involving organizational benefits. The person who paid the burial expenses is considered equitably entitled regardless of whether he used the proceeds of an organizational benefit to pay the expenses or received such proceeds after paying the expenses. The streamlining of these procedures will result not only in a substantial saving to the

Bureau of Old-Age and Survivors Insurance but also in speedier and more efficient processing of claims.

Administrative Costs

The volume of work in establishing and maintaining accounts of employees was approximately the same as in the fiscal year 1948. New highs were reached in processing claims for benefits, paying monthly benefits, and maintaining the rolls of beneficiaries.

The total administrative cost directly attributable to the old-age and survivors insurance system during the fiscal year 1949 equaled 3.2 percent of the contributions received, while it represented 8.8 per cent of benefit payments. A part of these costs was incurred by the Bureau for processing current claims, certifying benefits to beneficiaries on the rolls and establishing and maintaining wage records on the basis of which eligibility for, and the amount of, future benefits will be determined. It also includes all other costs directly attributable to this program incurred within the Federal Security Agency. The remainder comprises costs incurred by the Treasury Department in collecting contributions under the Federal Insurance Contributions Act, managing the trust fund, and issuing benefit checks.

In spite of rising costs for salaries and expenses, the Bureau's administrative costs have declined, from 2.6 percent of contributions collected in the fiscal year 1941 to 2.3 percent in 1949. These costs included expenses of the central offices of the Bureau in Baltimore, the greater part of which represented the costs of maintaining centralized wage records of the 93.4 million accounts established as of July 1, 1949, in addition to the administrative costs of 6 area offices, 478 field offices, 2,439 itinerant stations, and 16 detached official stations.

Financing the Program

In accordance with the Social Security Act Amendments of 1947, the contribution rate on taxable wages payable by workers and employers remained at 1 percent each throughout the fiscal year 1949. The contribution rates are scheduled to rise to 1½ percent each for the calendar years 1950 and 1951 and to 2 percent each beginning in 1952.

Assets of the Federal old-age and survivors insurance trust fund on June 30, 1949, totaled $11,310 million, $1,263 million more than a year earlier. Contributions from employees and employers during the fiscal year amounted to $1,690 million. An additional $3.3 million was appropriated to the trust fund from the general fund of the

Treasury for payment of benefits to survivors of certain World War II veterans, as provided under section 210 of the Social Security Act. Interest received on investments totaled $230 million. Disbursements from the fund amounted to $607 million for payment of benefits and $53 million for administrative expenses. Except for $79 million held in cash to meet current withdrawals, all assets in the trust fund on June 30, 1949, were invested in Government securities.

All securities purchased for the trust fund during the fiscal year were special certificates of indebtedness with an interest rate of 2⅛ percent. As of June 30, 1949, $9,003 million was invested in these 2⅛-percent special certificates of indebtedness, $2,223 million in 2½-percent regular Treasury bonds, and $4.2 million in 2¼-percent regular Treasury bonds.

IMPROVING THE PROGRAM

The need to improve and expand the old-age and survivors insurance program, to provide greater security for the American people, has long been recognized. In recent years several studies by official groups have pointed out the shortcomings of the present program and suggested methods for correcting them. One of the most significant was that made in 1948 by the Advisory Council on Social Security, which was appointed by the Senate Committee on Finance in September 1947 and submitted its reports to the Finance Committee in 1948.

The fiscal year saw not only a growing acceptance of the need for major improvements, but also the initiation of action to bring them about. The President, in his State of the Union message on January 5, 1949, urged the Congress to "expand our social security program, both as to size of benefits and extent of coverage, against the economic hazards due to unemployment, old age, sickness, and disability." The President implemented his message with a bill on old-age, survivors, and disability insurance introduced at his request. This bill, H. R. 2893, contained most of the changes recommended by the Social Security Administration. It proposed to extend coverage to most of the major excluded groups, greatly increase benefit amounts, and add insurance protection against the economic risks of temporary and extended disability.

The House Committee on Ways and Means held public hearings on H. R. 2893 between March 23 and April 27, before considering it in executive sessions.[3] About 200 persons, representing the Federal,

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[3] Later the Committee recommended the adoption of a substitute bill, H. R. 6000 (see footnote 2).

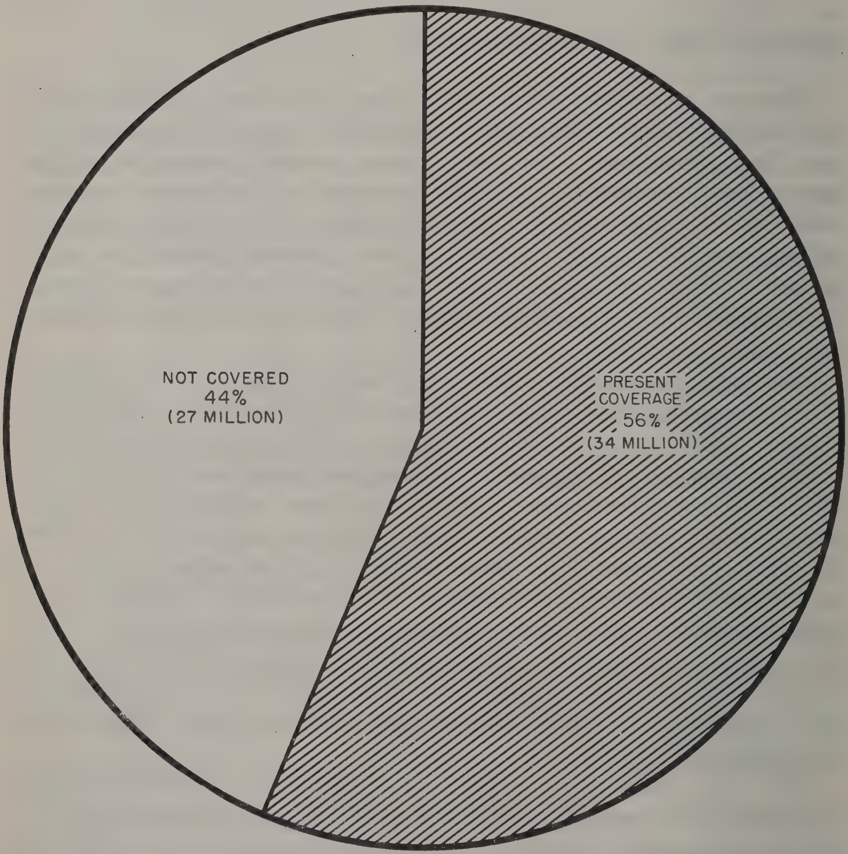
State, and local Governments, labor unions and other employee organizations, employer organizations, or themselves only, submitted oral or written testimony. Most of those who testified agreed that it is desirable to retain the basic structure of the insurance program and to improve it by increasing coverage and enlarging benefits.

Extension of Coverage

The coverage of the program is now limited, in general, to workers in commerce and industry. Some groups of workers were originally excluded in order to avoid burdening the system with difficult administrative problems in the early years of its existence, other groups because they were already covered by retirement systems, and still

Chart 6.—COVERED AND NONCOVERED EMPLOYMENT

Extent of coverage under old-age and survivors insurance June 1949



others because of some barrier—either of law or custom—to imposition of the taxes for the program.

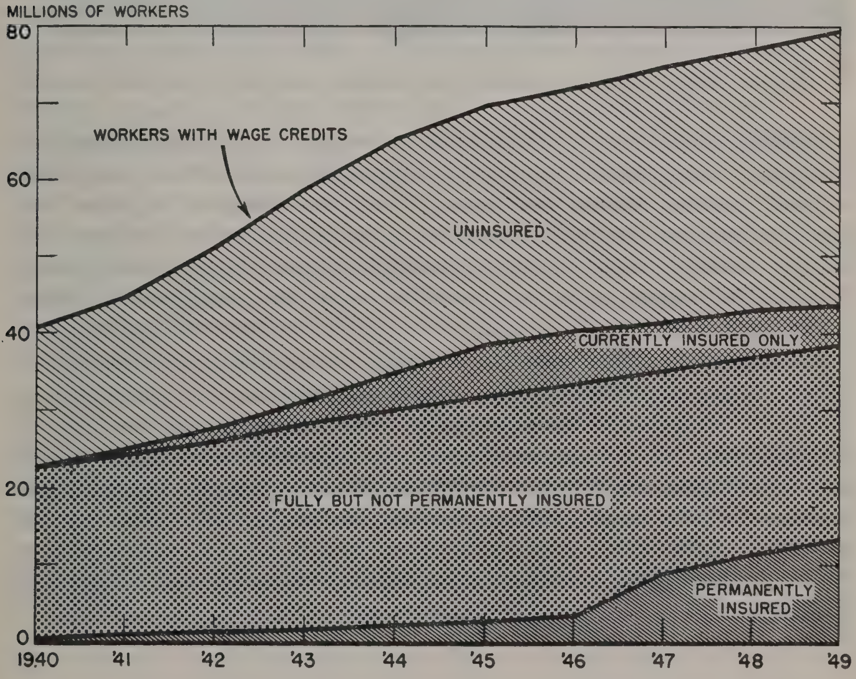
This limited coverage has led to serious difficulties. Because workers change from job to job, the system cannot be fully effective until virtually all occupational groups are covered. Under existing provisions, any period during which a worker is not in covered employment lowers the amount of any benefits payable to him or to his dependents. If he is out of covered employment for an extended period of time, he may lose all benefit rights.

The Social Security Administration has repeatedly recommended extension of coverage to the groups not now covered. The President, in his budget message of January 10, 1949, emphasized the importance of coverage extension to nearly all of the 25 million persons not now covered:

> Under the Social Security Act, the national policy contemplated that old-age and survivors insurance would be the primary Government measure affording economic protection to the needy aged and dependent children . . . Public assistance was designed as a backstop, a second line of defense, eventually to be replaced in large measure by social insurance benefits. We have not made progress toward this objective in the last decade.

Chart 7.—INSURED STATUS OF WORKERS

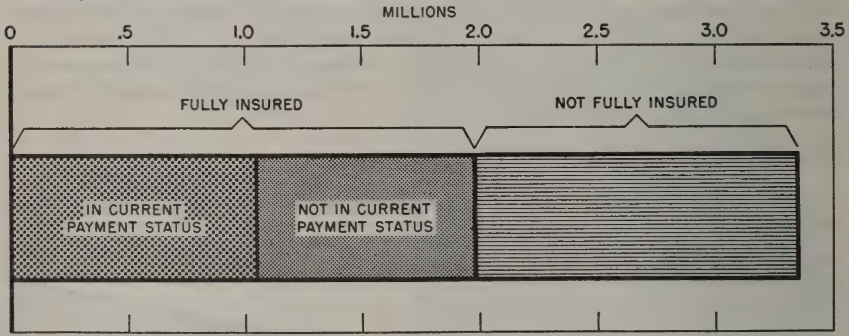
Workers with wage credits under old-age and survivors insurance at the beginning of each year



Limited coverage also results in inequitable distribution of the costs of protection. Those who are not covered pay indirectly for the benefits of covered workers to the extent that pay-roll taxes are passed on in consumer prices. Covered workers who contribute to their own security must also help provide, through general taxes, assistance for those who are not covered. Many persons who pay insurance contributions do not qualify for benefits; others, who have spent a substantial period in noncovered work, barely meet the eligibility requirements and receive benefits far in excess of their contributions. The drain on funds resulting from payments to these latter workers more than offsets the gain from workers who contribute without qualifying.

Chart 8.—INSURED STATUS OF AGED WORKERS

Workers aged 65 and over with wage credits under old-age and survivors insurance, January 1, 1949



Many workers now excluded are covered by special retirement systems. The Social Security Administration believes that these special systems should continue. They are designed to meet the needs of special groups; they assess higher contributions and provide higher benefits than would be possible under the general system. Those which existed in private industry before the passage of the Social Security Act have been continued as supplements to old-age and survivors insurance; the combined protection is usually more comprehensive and more valuable than coverage under the special system alone could be. The same result could be obtained for areas now outside the coverage of old-age and survivors insurance. Workers would have continuous coverage under the general program regardless of job changes which might interrupt their coverage under the special systems. Moreover, they would have the benefit of survivor protection, which is not adequately provided under most staff retirement systems.

THE NONFARM SELF-EMPLOYED

Approximately 7.7 million persons work in nonfarm self-employment during the course of a year. About 35 percent of this group are engaged in retail trade, 18 percent in the service trades, 12 percent in the construction industry, and some 10 percent in the professions. The remaining 25 percent is accounted for by smaller groups, including manufacturers, wholesale merchants, agents and brokers, and owners of transportation, insurance, and real estate enterprises.

The nonfarm self-employed need old-age, survivors, and disability insurance protection; in general their opportunities for providing security for themselves are no better than those of salaried workers. During the early years of proprietorship when family responsibility is heavy, survivor protection would be of great value. In later years, old-age benefits would fill the need created by decline in income and by loss of ability to carry on a business. A unique problem faced by the businessman is the possibility of business failure, which may wipe out savings too late in life for him to begin anew the accumulation of resources for his old-age security. Wage earners and the self-employed alike are exposed to the risk of disability, with consequent loss of earnings.

The similarity in the need of the nonfarm self-employed and of wage earners for old-age and survivors insurance is indicated by the census surveys of consumer income in 1947.[4] In that year, the median annual money income of the male nonfarm self-employed, including professional men, was only $3,381. The median annual money incomes of comparable male wage workers were as follows: clerical workers, $2,654; salesmen, $2,687; and craftsmen and foremen, $2,746.

Popular conception ascribes to those in the professions a high earning capacity and consequently an ability to provide for their own old age, but this is not true with respect to many professional people. According to the same survey, the median money income of male self-employed professional people was $5,472. The incomes of those in the later middle and older age groups are much below those of the younger age groups.

Since there is considerable movement by individuals between self-employment and covered wage employment, limited coverage results in reduction or loss of benefits for many self-employed people. Because the nonfarm self-employed are generally familiar with the program and because many of them contribute on behalf of their employees, they are conscious of their own lack of protection.

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[4] Bureau of the Census, *Current Population Reports*, Consumer Income, Series P-60, No. 5, Feb. 7, 1949, table 17, page 25.

FARM OPERATORS

While farm operators have traditionally been considered able to provide for their own old age, it is now recognized that farming is subject to most of the hazards of other business enterprises. In addition, there are many hazards peculiar to farming alone. Consequently, farm operators need insurance coverage to at least the same extent as the nonfarm self-employed.

Of the estimated total of 6.5 million farm operators, only 2 or 3 percent gross $20,000 or more. More than half of all farm operators gross from $1,200 to $20,000 a year, and about half of this group have less than $2,900. Slightly over 40 percent gross less than $1,200 annually.

Moreover, many farmers, particularly those with low incomes from farming, work off the farm at least half the time, often in covered employment. Coverage of farmers would make it possible for all their work to count toward benefits.

Most farm operators, however, have not had an opportunity to observe the operation of old-age and survivors insurance and its value for workers and their families. They probably know less about the program and its objectives than any other segment of the population. A recent report by Professor T. N. Hurd of Cornell University on "Old Age Plans and Programs of Farmers" shows that 7 of every 10 farmers interviewed in 1946 did not know enough about the program to express an opinion about its extension to farmers. After the program was explained to them, nearly three-fourths said that they favored coverage for farm operators. Where farm groups have seen that the insurance program is a twentieth-century adaptation of their own principle of mutual aid, they have favored coverage of farm people.

PLANS FOR COVERING FARM AND NONFARM SELF-EMPLOYED PERSONS

On the basis of experience gained through administering the program, and of research into the nature and characteristics of farm and nonfarm self-employment, the Social Security Administration and the Treasury Department have developed a plan for covering the self-employed by tying in a self-reporting system for social insurance with the income tax. The Senate Finance Committee's Advisory Council on Social Security reported their conviction of the feasibility of this plan.

Contributions and benefits would be based on "self-employment income" reported on a special social security form filed as a supplement to the individual's income tax return. Self-employment income would represent an individual's net earnings from a trade or business or from a partnership and would be based on two figures appearing in Schedule C (income from business or profession) and Schedule E (income from partnerships) of the income tax return. The contribution base would include dividends, interest, and royalties when derived in the course of a trade or business. It also would include certain rents derived in the course of a trade or business, such as that of a real estate dealer or an operator of a roominghouse or hotel. It would not, however, include rents, royalties, dividends, or interest which were basically a return on capital investment, nor would it include capital gains or losses.

The maximum annual amount of self-employment income on which contributions would be payable would be that set for wage earners less the amount of any wages received during the year from other covered employment. To avoid the administrative expense of securing contributions and reports from the low-income self-employed, individuals whose earnings from self-employment are below a fixed minimum would be excluded. The minimum amount of net earnings on which an individual would be required to contribute should enable him to meet the eligibility requirements on the basis of his self-employment income alone.

Benefits should be paid only to persons who are no longer regularly employed in gainful activity. For this reason a "work clause" would be applied to self-employed persons similar to that applied to wage earners. A beneficiary would not receive a benefit for any month in which his net earnings from self-employment exceed $50 if he renders substantial service in self-employment in that month. It would be assumed, however, that an individual did not earn more than $50 in self-employment in any month if his net earnings from self-employment for the year are $600 or less. If his net earnings exceed $600, the number of months assumed to be months of earnings in excess of $50 could be no greater than the quotient obtained by dividing his annual earnings over $600 by 50.

The contribution rate for the self-employed should equal not more than one and one-half times the employee rate. This compromise between the employee rate and the combined employer-employee rate recognizes that the self-employed person's contribution (unlike the employer's contribution on behalf of an employee) is not deductible as a business expense for income-tax purposes; that his contribution base includes some return on his investment in the business; and that the average self-employed person retires at an older age than the average employee.

The Social Security Administration is opposed to voluntary coverage for the self-employed. Experience with voluntary social insurance programs indicates that only a small percentage of eligible persons participate. Those who do participate are likely to be persons nearing retirement age and others who would expect to receive far more in benefits than they would pay for. Voluntary coverage would therefore subject the program to adverse selection and would greatly increase costs. The people who would not participate in a voluntary program are likely to be the very ones most in need of protection—that is, individuals with low incomes who are hard pressed to meet current expenses. Moreover, many individuals who would not participate because they expect to provide for themselves through their own means would find their efforts nullified through circumstances beyond their control, and would then have to be provided for through public assistance.

AGRICULTURAL WORKERS

Extension of coverage to farm workers is especially desirable because, aside from their low incomes and consequent lack of security, they tend to shift extensively between agriculture and covered employment. One-third to one-half of all farm workers spend part of their working lives in covered employment. When they return to farm work, their insurance protection may be entirely lost or, at best, reduced.

In the previously mentioned study by Professor Hurd, nearly four-fifths of the farmers favored coverage for farm laborers. Farm employers who are acquainted with the program realize that coverage of farm laborers would help to reduce their costs. First, they would be better able to hire and keep high-grade help and not lose their best agricultural workers to covered jobs. Second, since farm laborers are likely to require public assistance in time of need, old-age and survivors insurance coverage for farm workers is a way of reducing taxes for State and local costs of public assistance.

DOMESTIC WORKERS IN PRIVATE HOMES

Coverage should be extended to all workers performing domestic service who earn at least $25 in cash wages from an employer in a calendar quarter. Only those casually or incidentally employed should be excluded. On this basis, approximately 2.2 million of the 3 million persons who work in domestic service in private homes in the course of a year would be covered.

Studies by the Social Security Administration show that domestic workers need the protection afforded by the program even more than other wage workers. Their earnings are too low to enable them to protect themselves and their families against the risk of loss of earnings resulting from premature death, old age or disability. Employers of domestic workers are even less able than industrial or commercial employers to provide for employees who can no longer work. Domestic workers are not covered by the various measures which protect the wages, working conditions, hours of work, and health of the commercial and industrial worker. Insurance coverage would be an important step toward improving their position. It would be especially significant for the many who have contributed to the program while working in covered employment at one time or another, particularly during the war.

To assure equality of treatment with other workers, both cash and noncash remuneration of domestic workers should be included as wages for social insurance purposes. This is especially important because of the extent to which the wages of domestic workers include payments in kind, such as meals or lodging.

PLANS FOR COVERING AGRICULTURAL AND DOMESTIC WORKERS

Either of two reporting methods would be suitable for securing reports of earnings and contributions from farm and domestic workers. Under the stamp method, the farm or household worker would obtain a stamp book from any post office, rural mail carrier, or social security field office. Employers would purchase special social security stamps from post offices and would paste them in the worker's book each pay day in amounts reflecting the wage payment. Half the cost of the stamps would be deducted from the worker's earnings, thus providing for the payment of equal contributions by the employer and the employee. Upon expiration of the period of validity of the book, it would be forwarded to the Social Security Administration and the amount of wages shown by the stamps would be posted to the individuals' account.

The simplified return method is similar to the reporting method now used by employers in commerce and industry, many of whom have only one employee. The method would be simplified for the farmer and householder by the use of a simpler tax return form. In addition, each farmer and householder would be given a simple record book in which each worker's wages could be tallied for the calendar quarter. A tear-off receipt would be available for issuance to the worker, and the quarterly wage totals would be transferred to the simplified tax return form.

EMPLOYER-EMPLOYEE RELATIONSHIP

The enactment in 1948 of Public Law 642 (80th Congress) has resulted in denial of coverage to many individuals in such occupational groups as outside salesmen in manufacturing and wholesale trade, lessee drivers of taxicabs, life insurance agents, industrial home workers, house-to-house salesmen, and mining lessees. The usual common-law rules, established by Public Law 642, as the test for determining the existence of an employer-employee relationship, prevented the coverage, as employees, of many individuals who could not realistically be deemed to be independent businessmen. The factor of control over the individual with respect to the means of performance of the service has been traditionally the most significant element looked to by the courts under the usual common-law rules, and generally has been made the determinative factor of the existence of the employer-employee relationship.

The workers who are denied the right to insurance protection under Public Law 642 are in substantially the same economic position as those in the same occupations who are employees under that law. Both groups earn their livelihood by performing services that are an essential part of the business of another. Both are subject to the economic hazard of income loss because of old age and death and are unable to provide for meeting this hazard through private means.

The difference in treatment accorded classes of workers in the same occupational groups is not the sole reason for recommending elimination of the distinction predicated on the absence or presence of common-law control. This test has also had a direct impact upon those for whom such service is performed. Some employers have been put to a disadvantage as compared with those who receive the same type of service but do not pay contributions. In many cases the latter group avoid the payment of social security taxes through mere formal shifts in the contractual arrangements with their workers.

The Social Security Administration is of the opinion that the usual common-law rules for determining the employer-employee relationship, even though liberally applied, are too restrictive as a test for determining an individual's right to benefits. The Administration therefore recommends that Public Law 642 be repealed. This recommendation is fully supported by the Treasury Department. The administrative agencies recommend that "employee" be defined so as to minimize tax avoidance through mere formal shifts in contractual arrangements and to diminish the uncertainty which exists on the part of workers, employers, and the administrative agencies about the status of persons performing services in the borderline employments. Such a definition should deemphasize the element of control and permit consideration to be given to other factors of equal importance. It would result in coverage as employees for all persons who are not independent businessmen, provided that their services were not casual and infrequent.

The establishment of a more precise definition of the term "employee" would provide for more efficient administration of the program under its present limited coverage; it would also be of importance when coverage is extended to the self-employed, because the self-employed would be required to contribute at a higher rate than those covered as employees.

EMPLOYMENT BY NONPROFIT ORGANIZATIONS

Old-age and survivors insurance coverage would be very valuable to the 800,000 lay individuals employed during the course of a year by nonprofit organizations. While some nonprofit employers have established retirement systems, most employees in this group do not have adequate protection. Testimony given during the public hearings on H. R. 2893 emphasized the difficulties of nonprofit organizations in recruiting personnel; prospective employees do not want to weaken their insurance protection by taking noncovered work.

Employees of nonprofit organizations were excluded because many nonprofit employers felt that imposition of the employer tax would imperil their tax-exempt status. This opposition to coverage has lessened in recent years, but to some extent it still exists. The Social Security Administration has given sympathetic consideration to this question, and believes that compulsory coverage of nonprofit organizations would not have the effects feared by some groups. However, the views held by these groups must be considered. The recommendations set forth below reflect a compromise between the two viewpoints.

The Administration recommends that employees of nonprofit institutions (except clergymen and members of religious orders) should be covered, with a compulsory employee contribution. The payment of the employer contribution should be voluntary, but the employee should receive credit for only half his wages if the employer contribution is not paid.

This type of voluntary coverage, while not so satisfactory as compulsory provisions, is not nearly so objectionable as voluntary coverage at the option of the individual employee. Under the latter, the persons most in need of protection would be unlikely to elect coverage. Moreover, a drain on the trust fund would result from elections of coverage by a disproportionately large number of employees who would receive more than average benefits in proportion to their contributions. Voluntary coverage at the option of the employer, which has also been suggested, would partly overcome these disadvantages but of course would not result in as extensive participation as the provisions recommended above.

MILITARY SERVICE

The Administration believes that coverage should be extended to the 2 million persons who serve in the armed forces during the course of a year. The various branches of the armed forces have their own retirement systems for career servicemen, and all servicemen have protection against disability and death under veterans' programs. However, no retirement benefits are payable for less than 20 years' service, and the protection provided under the veterans' laws in most cases ceases when the individual leaves the service. Under present conditions the average young man entering military service will spend only a few years in uniform. While in service, he acquires no credit toward old-age and survivors insurance benefits; on the contrary, the potential benefit payable is reduced because his military earnings are not counted. Extension of coverage to service in the armed forces would provide adequate protection for individuals who spend only a part of their lives in military service and would enhance the protection provided for the career serviceman.

The Social Security Administration believes that servicemen who are not entitled to the benefits provided under a service retirement system should be covered by old-age and survivors insurance. Under provisions included in H. R. 2893 to accomplish this purpose, both the employer and employee contribution would be paid by the Federal Government. If the serviceman received payments under a service retirement system, his military service would not be counted toward benefits under old-age and survivors insurance, and the contributions for that service would be refunded to the Government. These adjustment provisions are intended to keep the total of Federal noncontributory benefits based on military service from being excessive.

An alternative method would be to provide that the servicemen would pay their own contributions, that the old-age and survivors insurance benefit would be payable in full, and that the service retirement pension would be adjusted to take account of the insurance benefits. This method would preserve the character of old-age and survivors insurance as the basic contributory program and would occasion a lesser administrative burden.

World War II service.—During World War II almost 17 million men and women served in the armed forces. The consequences of this service, in the form of lost or diminished old-age and survivors insurance protection, are still with us today, although Congress has adopted limited provisions for alleviating the hardship. Under section 210 of the Social Security Act, adopted in 1946, veterans who meet certain service requirements and who die within 3 years after discharge are considered to have died fully insured with an average monthly wage of $160.

These guarantees, however, do not hold when the veteran dies in service or when pension or compensation is payable under laws administered by the Veterans Administration. For most veterans, moreover, the 3-year period of protection has already expired. In many instances, benefits under section 210 are not as favorable as those which would have been paid if the veteran had retained his covered job. As a consequence, veterans are still handicapped by their absence from covered employment during their military service. The Administration recommends that wage credits be provided for each month of World War II military service.

CIVILIAN EMPLOYEES OF THE FEDERAL GOVERNMENT

Most of the 2.5 million civilians employed by the Federal Government during the course of a year are covered by the civil service retirement system or one of the smaller Federal systems. Nevertheless, some 300,000 workers employed during the course of a year have no retirement protection. The jobs not covered by retirement systems are those least likely to be regarded as part of the career service. Persons in such jobs are more likely to have worked in jobs covered by old-age and survivors insurance before or after entering Government service. The Social Security Administration believes that there is no reason for delay in extending old-age and survivors insurance protection to these workers.

Employees covered by the civil-service retirement system receive retirement benefits substantially greater than those under old-age and survivors insurance, and also have survivor and disability protection. Extension of old-age and survivors insurance to Federal employment, would, however, provide more nearly adequate survivor protection for the younger employees. The amount of protection under the two systems in combination would not need to be any less, or any more costly to the worker, than that afforded by the retirement system alone; and continuity of protection would be an advantage for those who have other employment. The Administration believes that employees covered by Federal retirement systems should be brought under old-age and survivors insurance and that practical plans for coordinating the systems can be worked out.

EMPLOYEES OF STATE AND LOCAL GOVERNMENTS

State and local government employees are no better able to provide their own protection than other workers, yet almost half the 5 million individuals employed by State and local governments during the course of a year have no retirement rights. Perhaps as many as 80 percent of those with retirement rights lack protection for their families. Furthermore, many members of retirement systems will lose all rights to benefits if they leave before reaching retirement age.

Moreover, lack of old-age and survivors insurance coverage causes serious personnel problems. Young people sometimes hesitate to take jobs without social security protection; employees who have built up insurance credits will not readily accept work in noncovered employment; and where there is no retirement system the municipality may have to retain aged employees because they would have no means of support if laid off.

Despite the general objections to voluntary coverage, the Administration recommends coverage at the election of the employer for State and local government employees because of possible constitutional barriers to taxation of the States. Coverage should be extended to these employees by means of voluntary agreements between the Federal Government and the States. Political subdivisions of States should secure coverage for their employees under State agreements; it would be impracticable for the Federal Government to negotiate separate agreements with all of the 155,000 local governmental units.

RAILROAD EMPLOYEES

Roughly 2.3 million employees had some railroad employment during 1948. Railroad employees have better protection than any of the other excluded groups, with the possible exception of those covered under the Federal civil-service retirement system. The railroad system provides retirement benefits closely related to years of service and also with survivor and disability benefits. The survivor benefits are modeled after and coordinated with the survivor benefits of old-age and survivors insurance.

Notwithstanding these provisions, the over-all protection of many persons would be improved by an extension of coverage to railroad employees. Of the 8.3 million persons who have had some railroad employment during the years 1937 through 1948, probably more than 5 million also had some employment under old-age and survivors insurance. Until such workers have continuity of coverage under one system their retirement protection must remain uncertain. For example, a railroad worker who works for only short periods in employment covered by old-age and survivors insurance may not qualify for benefits under that program, but his railroad benefit will be lowered. Such uncertainty of protection is not conducive to a feeling of security, nor does it encourage workers to plan toward supplementing their retirement benefits.

The Social Security Administration believes that the most satisfactory solution to this problem is to extend old-age and survivors insurance to railroad employees, with modifications in the railroad program to take account of the additional protection provided. This plan would provide individuals who work under both programs with the same continuous coverage for retirement benefits as that now provided for survivors' benefits.

GEOGRAPHICAL RESTRICTIONS ON COVERAGE

With one minor exception, the present coverage of the program is limited to the continental United States and the Territories of Alaska and Hawaii. Many persons whose economic security is closely tied in with that of the United States work outside those areas.

Coverage of Puerto Rico and the Virgin Islands is both desirable and feasible. The employed labor force of the two Territories is about 650,000. Wage rates and annual earnings are low, and the average worker is even less able than workers in the continental United States to provide for his old age and for his family in case of his death. The need for the insurance system is evidenced by the large percentage of the people who depend on public assistance. Available evidence indicates that the great majority of workers who would make contributions under the program would be able to meet the requirements for benefits.

Another group excluded from coverage, though part of the American economy, is composed of American citizens employed outside the United States by American employers. There are about 175,000 such employees during the course of a year. The Administration recommends that coverage be extended to this group, also.

Strengthening the Benefit Structure and Other Changes

Our social insurance program is based on principles fundamentally tied in with our economic and political structure, our free enterprise, and our democratic institutions. When measures are adopted to increase security under this program, they should at the same time strengthen these basic principles, which may be stated as follows:

(1) The program should provide basic security related to an individual's former rate of earnings and to the regularity and duration of his employment.

(2) Individuals should contribute a fixed proportion of their income from employment, and, except for a relatively few high-paid individuals, an individual's entire earnings should be subject to this contribution and considered in determining his benefits.

(3) The benefits of a low-wage worker should represent a larger proportion of former wages than those of a high-wage worker, but the latter should receive significantly higher amounts because benefits should reflect former levels of living and contributions of workers to their own future security.

(4) The benefits of low-wage workers and of those who retire in the early years of the program and the benefits for families of those who die prematurely should be relatively large compared to their contributions, since otherwise they would be inadequately pro-

tected; high-wage long-term contributors should generally receive benefits at least as large as their contributions would buy in private insurance.

(5) Thrift should be encouraged by paying benefits regardless of income from savings, but benefits should not be paid to persons who are still self-supporting by employment.

(6) The minimum benefit paid should contribute significantly toward the individual's security, and persons who have worked regularly under the program should build up larger benefits by continued years of contributions.

The recommendations of the Social Security Administration for improving the program are in line with these principles.

BENEFIT AMOUNT

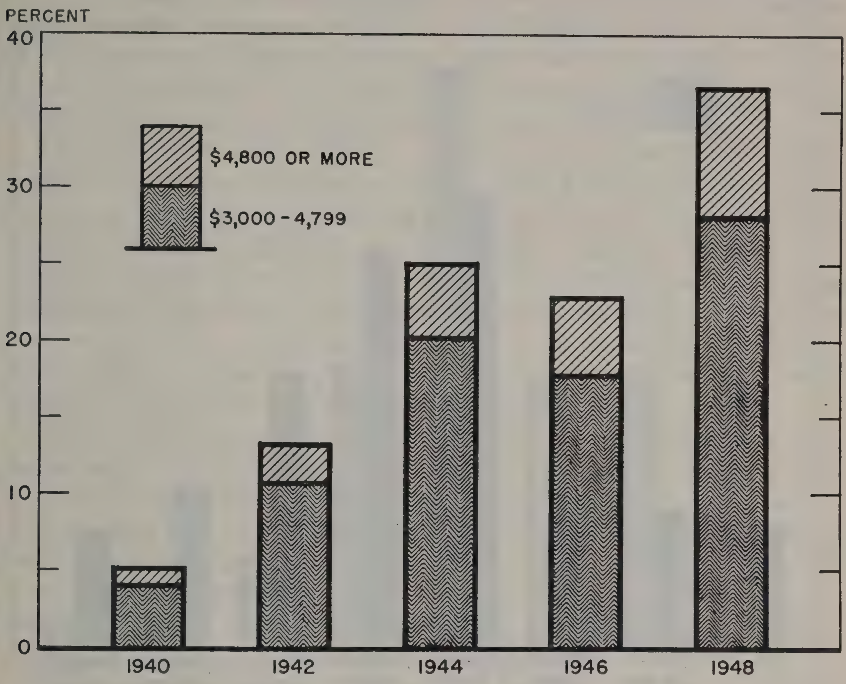
So long as benefits under the contributory insurance program remain at totally inadequate levels while the noncontributory assistance payments steadily increase, the contributory program is threatened. Unless the insurance program is improved, pressure will grow for a program granting large benefits from general revenues to every aged person without relation to need, former earnings, or contributions. Under the provisions adopted in 1939, the average assistance payment was, until the end of 1942, below the average primary insurance benefit paid on the basis of wage records. Today, 10 years after the insurance program was last revised materially, the average old-age assistance payment is 70 percent above the primary insurance benefit.

In June 1949, the average primary insurance benefit was $25.72. This amount needs to be doubled to provide basic security for insured persons and their families and fair treatment for those who have contributed to their own future security, as compared with those who receive assistance. To obtain the increase desired for all wage levels and for persons of different employment patterns, changes are needed in the maximum amount of wages credited toward benefits, in the calculation of the average monthly wage, and in the benefit formula applied to that average wage.

When the maximum creditable annual wage was set at $3,000 in 1939, only 3 percent of all workers in covered employment received more than that amount. Of those in covered employment all the year, approximately 5 percent earned over $3,000. At today's wages, about 24 percent of all covered workers, and 37 percent of the workers regularly in covered employment, earn more than $3,000; 19 percent of all covered workers and 29 percent of the regularly covered workers earn between $3,000 and $4,800. Because the cost of living has increased about 70 percent since 1939, workers who today earn $4,800 live no better than those who earned $3,000 in 1939.

Chart 9.—WORKERS EARNING $3,000 OR MORE

Earners working in all four quarters of the year in employment covered by old-age and survivors insurance



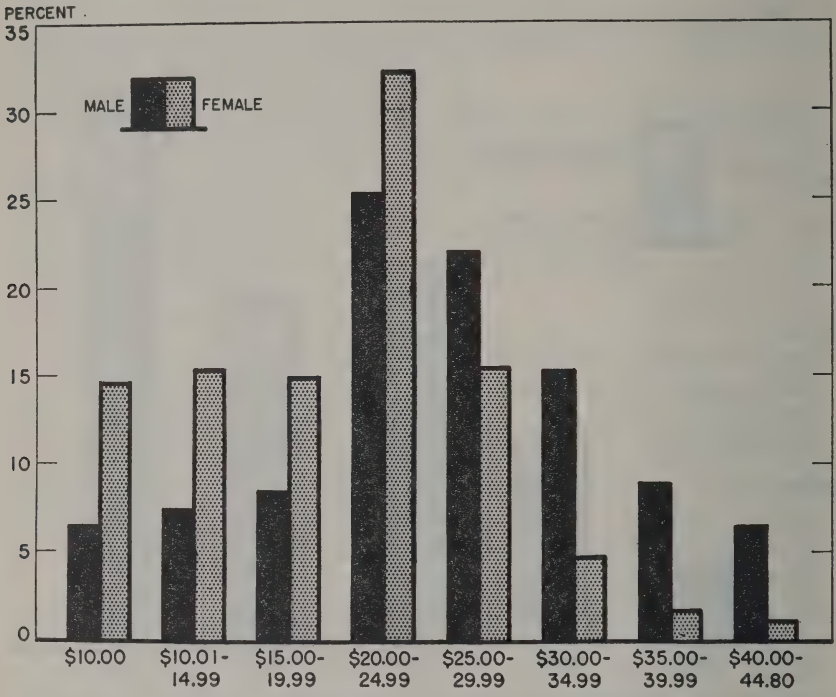
To provide approximately as much protection as was intended when the formula was established, the maximum creditable wage base should now be increased to $4,800.

Increasing the wage base is important for another reason. To be adequate, benefits must be raised considerably at the lower levels. The benefit formula now provides for 40 percent of the first $50 of the average monthly wage plus 10 percent of the amount over $50 but not exceeding $250, increased by 1 percent for each year in which the worker's covered wages were at least $200, with a minimum primary insurance benefit of $10. It is proposed that the minimum benefit payable be $25, and that the proportion of the average monthly wage paid at low wage levels be 50 percent rather than 40 percent. If these changes are made without a corresponding increase in the maximum creditable wages, the range of benefits will be too narrow to leave a fair distinction between low-paid and higher-paid workers in relation to their wage losses.

The second aspect of the benefit structure important to change is the method of calculating the average monthly wage. That average is now computed by dividing the total wages an individual received

Chart 10.—SIZE OF PRIMARY BENEFIT

Old-age and survivors insurance benefits to retired workers, December 31, 1948



in covered employment since the program began by the number of months in which, according to his age, he may be presumed able to work in covered employment. The average monthly wage, being a working lifetime average, is adversely affected by periods when the worker was not in covered employment or was receiving low wages. This method of calculating the average monthly wage has caused much misunderstanding and is one reason why old-age and survivors insurance benefits have not risen in recent years as much as wage rates.

The long-run trend of wages is upward. When an individual dies or retires, his lifetime average monthly wage will in many cases be considerably below his recent rate of earnings; it will include wages earned many years previously when the general wage level was low and before he reached the period of his maximum skill and highest earnings. It is customary, under both public and private retirement systems, to base benefits on earnings in a limited period, such as 5 or 10 consecutive years. The Social Security Administration recommends that the average monthly wage be based on covered wages earned in a limited period—such as the 5 or 10 consecutive years in which wages were highest—a period long enough to avoid basing benefits on nontypical earnings but short enough to permit the average wage to reflect rising wage rates and to represent a good period of of employment. With this change and with a maximum average monthly wage of $400 (with wage base of $4,800), the wage loss would usually be adequately recognized in the benefit base.

The proportion of the average monthly wage replaced by benefits under the formula also requires change. The Administration believes that more of the average monthly wage should be included in the first bracket of the formula, where the percentage of replacement is highest. Wages below $75 or $100 a month now represent marginal employment; the benefit should replace a relatively large proportion of such wages if it is to contribute significantly to the worker's security. Fifty percent of the first $75 or $100 of the average monthly wage would be better than 40 percent of the first $50.

To maintain a reasonable spread of benefits between low-wage and higher-wage workers, the Administration suggests also that the formula allow replacement of 15 percent, rather than 10 percent, of that portion of the average wage above $75 or $100. While it is important to assure basic security for low-paid workers, it is also important to recognize the individual effort and contributions of high-paid workers by a reasonable differential in benefit amounts. Fifteen percent is not an excessive figure for this purpose.

There should also be a differential in benefits in favor of workers who contribute regularly to the program, as compared with those who sometimes work in noncovered occupations. This distinction is now made through the method of computing the average wage. If that method is changed as recommended, the benefit formula should be changed to maintain the distinction—that is, to yield proportionately smaller benefits to those who have some periods outside of covered employment. An appropriate method to this end would be to multiply the basic benefit by a fraction representing the worker's years in covered employment divided by the years when, according to his age, he could be expected to have had such employment. This method would not handicap the young worker who dies after only a few years under the program; if he had spent all his time after age 21 in covered employment he would be considered a full-time worker. It would, however, prevent an individual who was in covered employment only 5 or 10 years out of a long working lifetime from receiving as high a benefit as a person who had the same average wage but who contributed all his life.

The Administration strongly recommends retention of the present increment of 1 percent for each year of substantial covered employment. The increment allows a higher benefit for a worker in the system many years than for a person who retires after only a few years. Even though both have contributed for as long as was expected according to their ages, the worker who entered the system at a younger age will have contributed over a longer period than the individual who retires in the near future. This fact should be recognized through the payment of higher benefits. Furthermore, the increase in the maximum primary benefit the increment permits is necessary to assure that the higher-paid long-term contributor will get as much insurance protection as his contributions would have bought in private insurance. Equity demands that workers of all wage groups get full value for their contributions.

RETIREMENT TEST

Social insurance funds will not be used most efficiently if benefits are paid to individuals who earn enough to be self-supporting. To pay benefits regardless of employment would increase costs by about one-third. To avoid this extra cost, the present law provides that benefits be suspended for any month in which a beneficiary earns covered wages of $15 or more.

This amount is too low to measure substantial employment. At present wage rates, $15 does not even represent such part-time employment as beneficiaries might reasonably be expected to undertake to supplement benefits. The Administration recommends that beneficiaries be permitted to earn up to $50 a month without loss of benefits. Those who earn more can probably support themselves without benefits. Those who earn less can do some useful work without losing their benefits, which they will need in view of their low wages.

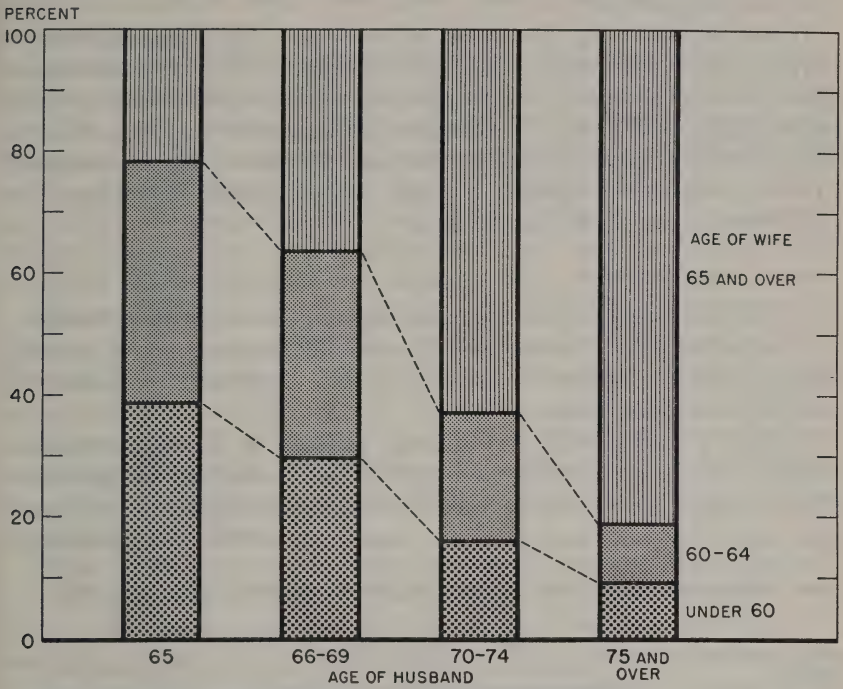
There are considerations in favor of permitting persons over age 70 to draw benefits regardless of earnings, particularly if coverage is extended to the self-employed. Self-employed persons characteristically reduce the amount of their work gradually, and may never retire completely. Elimination of the retirement test at age 70 would assure that those who anticipate continued employment in old age could nevertheless expect a return for their contributions. In general, persons over age 70 do not work regularly and their income from employment is likely to be reduced. The additional cost of removing the retirement test for persons aged 70 and over would be only about 40 percent as much as that for total removal of the retirement test.

AGE OF ELIGIBILITY FOR WOMEN

The Administration recommends that the age at which women may qualify for benefits be reduced from 65 to 60 Under peacetime

Chart 11.—AGE OF WIFE WHEN HUSBAND RETIRED

Age at time of husband's entitlement to primary benefit under old-age and survivors insurance, awards of 1944—46



conditions, relatively few women over 60 work in paid employment. Census data for 1940 show that, while only 21 percent of the male population aged 60 to 64 were not in the labor force, the corresponding figure for women was nearly 85 percent. Although 30 percent of all workers with wage credits in 1940 were women, they constituted only 13 percent of the workers aged 60–64.

A woman widowed at age 60, who has not previously been employed, has a harder time than a younger woman in finding a job. At present, only about one widow in four of those without minor children is eligible for widow's benefits immediately upon the death of her husband. With an age requirement of 60, about 40 percent of such widows would be eligible immediately, Similarly, a mother surviving a son or daughter on whom she had been dependent can be presumed to need benefit payments at age 60.

The recommended qualifying age for women would help aged couples. Wives are customarily a few years younger than their husbands, so that when a man reaches age 65 the only benefit available for the couple is likely to be the husband's benefit. At present only about one-fifth of the wives of married primary beneficiaries are eligible for wife's benefits at the time the husband attains age 65. If wife's benefits were payable at 60, this proportion would be raised to about three-fifths.

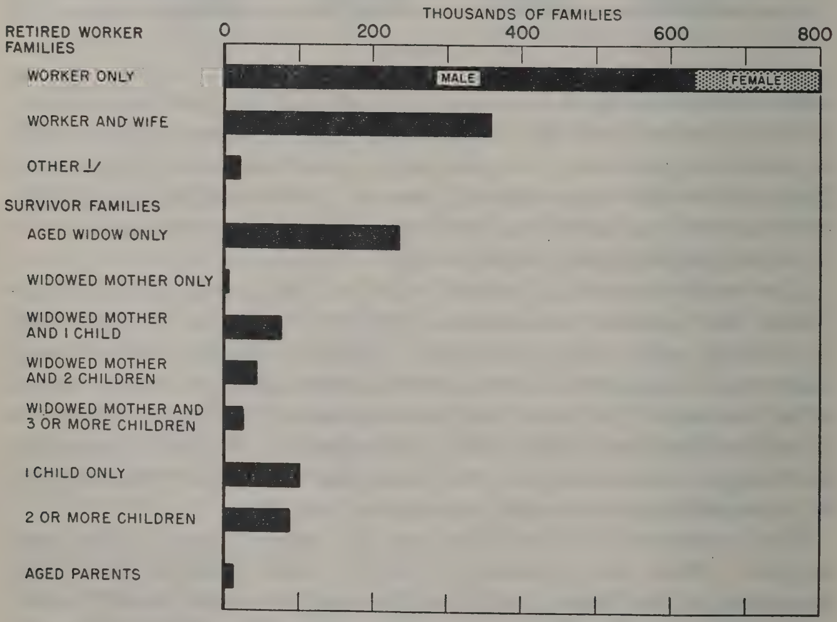
If the eligibility age for wives, widows, and dependent mothers is lowered to 60, the retirement age for women primary beneficiaries should also be lowered. Although many women who have been working regularly will prefer to continue working after age 60, working women who become unemployed at age 60 should not be required to wait until 65 for benefits if other women receive dependents' or survivor benefits at the lower age.

FAMILY PROTECTION

To provide greater protection for the families of insured workers, the Social Security Administration recommends a number of amendments, mainly technical in character. The important recommendations are discussed below.

Variation among State laws as to validity of marriage leads to unequal treatment of wives and widows under the Federal program. When a couple have lived together over a period of years in the belief that they were man and wife, the woman should be recognized as a

Chart 12.—FAMILY BENEFICIARY GROUPS RECEIVING BENEFITS, JUNE 30, 1949



[1] Worker and child; worker and 2 or more children; worker, wife, and 1 or more children.

wife or widow for benefit purposes if no impediment to legal marriage exists when she applies for wife's benefits or when her husband dies. This change would permit payments in certain hardship cases in which the couple would have been legally married except for a technicality.

So that more children may qualify for benefits on the record of the person who actually supports them, the Administration recommends that the conditions under which a child may be found "dependent" on a wage earner be changed. In general, payments should be made on the record of an individual who was contributing at least half of the child's support, whether or not such person was a legal parent. A child's dependency on his mother should be presumed if she had a record of extensive and recent employment.

The present provisions for monthly benefits to widows with minor children in their care should be expanded to include young mothers divorced from the wage earner but not remarried. Where a wage earner contributes to the support of his former wife and their children, recompense should be made for loss of this support on account of the worker's death. Children are less adequately cared for when benefits are denied to their mother solely because she was divorced from the deceased wage earner.

Because benefits are paid to the mother of young children primarily for the welfare of the children, these benefits should be payable even though the mother was not the legal wife of the wage earner, if she had lived with him in a relationship publicly acknowledged as that of man and wife. In such cases his wages presumably supported the family while he was living. Such families now suffer severe financial loss in circumstances for which the children and often the mother were blameless.

Dependents' benefits are computed as percentages of the worker's primary insurance amount: one-half of that amount for a wife's, child's, or parent's benefit and three-fourths for a widow's. The Social Security Administration recommends that an additional amount equal to one-fourth of a primary benefit be payable to one of the children of a deceased insured worker and that the parent's benefit be raised to three-fourths of the primary benefit. The additional amount for survivor families will make their benefit income more nearly comparable to that for families of retired workers. A retired worker and his wife now receive a total of one and one-half times a primary benefit, while a young widow and child receive only one and one-fourth.

At present, the maximum total benefits payable on the wage record of an insured worker is $85, 80 percent of the worker's average monthly wage, or twice the primary insurance benefit, whichever is least.

As a result, family benefits are often too small for adequate replacement of wage loss. The Administration recommends that maximum benefits be $150 or 80 percent of the average monthly wage, whichever is less. An increased dollar maximum is consistent with the proposed changes in the benefit formula and taxable wage base.

The limit of twice the primary benefit is now unnecessarily restrictive on survivor families. A $150 maximum will prevent benefit payments larger than necessary for basic security at top wage levels. With this dollar limit, replacement up to 80 percent of the wages on which a family had depended is reasonable.

The Social Security Administration recommends a lump-sum death payment at the death of every insured worker. Such payment helps meet the expenses of the worker's last illness and death. That purpose is not served by monthly benefits, designed to meet current living expenses only. Furthermore, paying a lump sum in every case would eliminate certain anomalies. In some cases, as when a child lacks only a few months of attaining age 18, a family entitled to monthly benefits may now receive less than if they had received only the lump sum.

The lump sum should, however, be kept moderate. While it should provide for the cost of a decent funeral, there is no social need to assure reimbursement beyond a minimum. If primary benefits are increased as suggested, the lump sum might be reduced from six to three times the primary insurance benefit.

Wife's benefits are provided because a wife is usually dependent upon her husband, but no account is taken of cases in which a husband is dependent on his wife. Though a wife may have been supporting a totally disabled husband for many years, no monthly benefits can be paid to him when her wages stop at retirement or death. The Administration recommends that benefits be payable at age 65 to the dependent husband of a primary beneficiary. Widower's benefits should be payable at age 65 when an insured woman was survived by a dependent husband.

Modifications for Extended Coverage

The eligibility and average monthly wage provisions of the program are now defined in terms which involve the entire period since the beginning of the program in 1937. Unless these provisions are changed, persons in newly covered occupations will be at a serious disadvantage. Special amendments are needed to permit them to become insured without undue delay and to receive reasonably adequate benefits.

ELIGIBILITY

Under existing law, a worker is fully insured if he has at least 1 quarter of coverage for each 2 calendar quarters elapsing after 1936 (or after he attained age 21, if later) and up to the quarter he reached age 65 or died; or if he has 40 quarters of coverage. A minimum of 6 quarters is required. (A quarter of coverage is a calendar quarter in which a worker was paid taxable wages of at least $50.) If these requirements are not changed, persons who attain age 65 in the first half of 1950 would need 26 quarters of coverage for retirement benefits; those with no previous quarters of coverage would need at least 6½ years' work to qualify. Many older workers in occupations first covered in 1950 (assuming extension of coverage) would contribute with small prospect of receiving old-age benefits.

The problem is primarily one of adjusting the eligibility requirements so that newly covered older workers may become fully insured within a reasonably short period, without also permitting workers generally to qualify on the basis of infrequent or irregular employment. One solution is to introduce, as an alternative to present provisions, a requirement of 20 quarters of coverage out of the 40 quarters immediately preceding death or retirement. This proposal would afford some relief for newly covered groups. However, older workers would be seriously handicapped if required to work 5 years in covered employment. Although they would contribute during several years immediately after coverage extension, many would not qualify for benefits and might have to resort to public assistance.

A more desirable insured-status provision, which would reduce the handicap of newly covered older workers, would be 1 quarter of coverage for each 4 quarters elapsing after 1936 (or age 21, if later), instead of the present 1 out of 2. Persons aged 65 in 1950 could then be insured with 13 quarters of coverage earned at any time, instead of the 20 quarters in the most recent 10 years required by the preceding proposal. Workers first covered in 1950 could meet the 13-quarter requirement in the first quarter of 1953.

This provision would have the additional advantage of easing the severity of the present requirement for workers past middle age when the program began. Many of these workers, because of prewar unemployment or partial disability, have not worked in covered employment in half the quarters since 1936. One quarter of coverage for each 4 elapsed quarters would be as restrictive as the present requirement is for workers who reached age 21 after 1936, because the latter will need only 40 quarters of coverage in a working lifetime of more than 40 years.

BENEFIT PROVISIONS

The proposal, discussed above, to compute the worker's average monthly wage over the period of his best wages would prevent lowering the benefits of newly covered individuals on account of the years between 1936 and the date of coverage extension. When the average monthly wage is so calculated, the benefit amount should ordinarily be modified through the benefit formula, to reflect the proportion of a worker's time in covered employment. However, for newly covered persons, a formula reducing benefits on account of the years before coverage extension would seem unduly harsh.

This problem is like that faced when the program began. When an individual has met the eligibility requirements, even though he may reach age 65 with only a short period of employment after coverage extension, there is a valid presumption that he ordinarily depended on wages from such employment. Therefore, his wage loss should be partially offset by benefit payments. His benefits should be related to his wage rate in covered employment, not reduced by the earlier period when he had no covered wages.

The Administration therefore proposes that the period during which the individual is expected to have been in covered employment begin with 1937 or with the date of general coverage extension, whichever is more advantageous to the claimant. The later date would always be more advantageous to persons without previous covered employment. The earlier date might sometimes be better for persons who had worked in covered jobs fairly regularly before coverage extension.

Such an amendment would result in relatively larger benefits (as compared with contributions) to persons with only a short period of covered employment following extension of coverage than to persons covered from 1937 on. This is true even though the latter have an absolute advantage of the 1-percent increment for more years. The relatively high benefits for the new group are not unreasonable. Persons already old when the program began had a similar advantage. Many persons in newly covered occupations have worked most of their lives and only the programs' limited coverage prevented their having contributed longer. Removing some of the handicap of late coverage for these workers may be considered as recognizing past service in those occupations, thus doing indirectly what is done directly under the Railroad Retirement Act, the Civil Service Retirement Act, and many private pension plans.

MINIMUM BENEFITS

The Social Security Administration recommends that, when coverage is broadly extended, the minimum primary benefit be raised to

$25. Although this alone is not an adequate benefit amount, it would represent a substantial replacement of lost wages for persons with such low wage rates or such irregular employment that the benefit formula yielded no larger amount. Most workers who have customarily supported themselves will receive much more than the minimum benefit.

Unless coverage is broadly extended, and other recommendations of the Administration are adopted, the minimum benefit should not be increased so much. Persons who usually work in noncoverered employment, and have only enough covered employment to qualify for benefits, will receive a relatively large return for contributions under the proposed formula, even with a lower minimum. If a large number of occupations are not covered and persons customarily in those occupations can shift to covered employment for just enough time to become insured, a minimum benefit of $25 would not be justifiable. Furthermore, with limited coverage more people will qualify for benefits of less than $25 through the application of the formula. In such circumstances, the additional cost of a $25 minimum would be greater.

Cash Benefits for Disability

The worker who becomes disabled before the age of 65 is faced with serious economic problems; he has a real need for insurance benefits to replace lost income. He may find it almost impossible to maintain his home and a minimum standard of living if disability is prolonged or permanent.

In recent decades there has been a rising incidence of chronic invalidity resulting from the aging of the population. Persons in the later years of life are often afflicted by permanent and total disability, preceded by recurring and lengthening spells of temporary illness. Moreover, while the number of seriously disabled persons in the upper age groups is increasing rapidly, the number of disabled younger workers is almost as large. Nearly half of the serious disabilities incurred by people under age 65 are suffered by those who are less than 50 years of age.

The extent of the disability problem in all age groups has been well established. The most recent survey, which was conducted by the Bureau of the Census in February 1949, covered the civilian noninstitutional population in the ages 14–64. The survey indicated that 4.6 million persons who would otherwise be in the labor force are incapacitated for work on any given day. About 2.5 million have been disabled for less than 6 months, while anoher 2.1 million are kept from their jobs by disability which has lasted 6 months or more. This toll of disability causes a constant drain on the Nation's economy in terms of reduced productive capacity, lost earnings, and impaired purchasing power.

Disability is a serious threat to the economic well-being of employed persons at all income levels and at all ages. The younger worker, for whom early convalescence or rehabilitation is most often possible, in many cases has the heavy responsibility of a family with young children; his family must be maintained until he can return to gainful work. The older disabled worker, though not yet 65, is often forced by reason of his age to retire permanently from the labor market. He has as great a need for income as the worker over 65 who has retired.

The public assistance rolls reflect the serious financial straits to which many families have been reduced by the disability of the breadwinner. Estimates of the number of persons on the public assistance rolls whose need is attributable to disability range from 770,000 to 920,000. As of June 1949, about 89,000 were needy blind persons receiving aid; about 387,000 were children in 125,000 families whose fathers were disabled and who were receiving aid to dependent children. As many as one-third of the million persons represented in 460,000 cases receiving general assistance are believed to be in need because of the disability of the wage earner. The number of families receiving aid from private welfare sources has not been estimated, but they add considerably to the total. Others in need of help never come to any agency; studies made by the Bureau of Old-Age and Survivors Insurance show that many families prefer to live in want rather than turn to public aid or private charity.

Private insurance provides some protection against earnings loss during short-term illnesses through health and accident policies. Few families in the low and middle income groups, however, can afford to purchase private insurance contracts covering long-term disability, and such contracts are not available to most persons in middle or older age groups or to persons in occupations that present a risk to health. Some union contracts provide disability protection from special health and welfare funds. A number of private employers also have benefit plans which provide for disabled employees, but in most cases the employee must have from 10 to 20 years of service before he can become entitled to benefits. Sick-benefit plans of fraternal groups cover only a few workers.

Public disability insurance programs are also restricted in scope and coverage. State and Federal workmen's compensation laws cover only disabilities incurred on the job, about 5 percent of all disabling illnesses and injuries. Five States have enacted laws providing temporary disability benefits for covered employees disabled from nonoccupational causes. Other public programs provide disability coverage for a few limited groups such as railroad workers, Federal civilian workers, and some State and local government workers. Veterans may be eligible for disability compensation or pensions. These various existing forms of public and private insurance against disability, however, leave the large majority of the working population without any effective disability protection.

Social insurance has proved to be the most desirable and feasible way of assuring to large segments of the population security against the economic risks of unemployment, old age, and death. It is the most suitable method for meeting the equally grave risk of disability. Disability insurance as part of a coordinated social insurance system would build upon the traditional American principle of independent saving for future contingencies.

RECOMMENDED DISABILITY INSURANCE PROGRAM

The Social Security Administration has consistently pointed out that protection against both temporary and permanent disability is essential to a comprehensive system of social insurance. The Administration recommends the immediate extension of old-age and survivors insurance to cover permanent total disability (lasting more than 6 months), and its eventual extension to cover temporary disability (lasting less than 6 months). Such a coordinated program, within the social insurance system, would provide:

1. Immediate and continuing benefits for an insured worker who becomes disabled. Wage loss during the early stage of the disability would be met by temporary disability benefits. After 6 months, a totally disabled worker could be eligible for permanent total disability benefits for the duration of his incapacity. When he reached age 65, he would automatically be transferred to the retirement rolls.
2. Continuous protection for employees changing jobs or moving from one State to another. The employee would retain the disability protection and benefit rights which he had already acquired, and would add to those rights by continued employment in the future.
3. Maintenance of an individual's rights to retirement and survivors benefits (periods of permanent total disability would be excluded in determining the average earnings and insured status upon which benefits are based).
4. A single agency to administer both types of disability benefits, operating with a maximum of uniformity, consistency, and economy. Policies and procedures would be integrated and administrative costs would be kept at a minimum through the elimination of overlapping facilities. Relationships with the medical profession, with State rehabilitation agencies, and with various technical groups would be clear-cut. Finally, the disabled worker would have the advantage of dealing with only one agency, his local social security field office.

BENEFITS FOR TEMPORARY DISABILITY

For the most part, temporarily disabled wage earners receive little or no replacement of the earnings they lose. Some limited benefits are now available under private employer and union plans, under the railroad cash sickness insurance plan, and under the temporary disability programs of Rhode Island, California and New Jersey. In addition, Washington (subject to referendum) and New York have adopted temporary disability insurance programs, under which benefits are not yet payable.

Notwithstanding these developments, progress throughout the Nation has been slow. Furthermore, as State programs are now developing—under both employment security and workmen's compensation agencies, and with various combinations of State and private administration—the result may be a disparate and confusing patchwork of State programs, differing one from another in both administration and benefit provisions.

There are real dangers inherent in this haphazard pattern. Different requirements among the States or unequal insurance rates among employers within a State may lead to unequal costs among competing firms and an undesirable restriction of benefit provisions. If there are many different plans with varying qualifying requirements and benefit provisions, employees who change from one employer to another or move from State to State may lose protection. A multiplicity of administrative plans and organizations—private and public—is an expensive and unwieldy means of paying benefits. Social insurance protection in this area should be based on a single, uniform program.

A national approach to temporary disability insurance, is, therefore, recommended to meet current economic needs of disabled wage earners during short periods of illness and in the first 6 months of longer disability. Benefits should be paid weekly to insured employees who are unable to perform their usual work for periods of 7 days or longer. Payments should be related to the basic needs of the average worker, giving due consideration to the number of his dependents. To qualify, a wage earner should have been regularly employed during a recent period, and the amount of his benefit should be related to his recent wages. Benefits should be paid for a limited period and should be terminated upon recovery or entitlement to benefits for permanent disability.

BENEFITS FOR PERMANENT TOTAL DISABILITY

For total disability which has lasted more than 6 consecutive months, the Administration recommends monthly benefits to insured wage earners and self-employed persons and to their dependents.

These benefits should be payable, subject to periodic reexamination and termination upon recovery, until the disabled person dies or becomes eligible for old-age insurance benefits at age 65. The Administration also recommends that a disabled person's right to retirement benefits and his survivorship protection be preserved during periods of prolonged disability.

A person should be considered to have a permanent total disability if after a waiting period of 6 months he is unable to perform any substantially gainful work. Benefits should be payable, not to compensate for the physical or mental disability itself, but for the loss of earnings it causes.

The 6-month waiting period, as used in private insurance and some public programs, has generally come to be accepted as a satisfactory test of the existence of permanent total disability. The vast majority of all disability cases recover within this 6-month period, leaving only prolonged disablements to be considered for monthly benefits.

Benefits should be limited to persons who can be presumed to be dependent on their earnings; to be eligible a claimant should have a record of reasonably regular employment in the years before his disablement.

The Administration believes that benefit amounts for permanent total disability should be comparable to those paid an insured worker when he reaches retirement age. It is not likely that a disabled worker's benefit alone would be adequate to offset his income loss and to meet the needs of his dependents. To take care of family need, provision should be made for the dependents of the disabled beneficiary. Many cases of permanent disability occur when a worker is relatively young, has heavy family responsibilities, and has had little opportunity to build up savings. Benefits should therefore be provided for the worker's children and for his wife who is caring for those children.

A permanent disability program should have a positive approach to the rehabilitation of disabled beneficiaries. The concept of permanent and total disability is not inconsistent with rehabilitation. Using recently developed rehabilitation techniques and methods of training, the Federal Security Agency's Office of Vocational Rehabilitation, the armed forces, the Veterans' Administration, and specialized civilian institutions have shown that persons with very serious and permanent physical or mental handicaps can often be partially or wholly rehabilitated for a regular job or for work in sheltered employment. Rehabilitation may not affect the medical handicap itself, or it may result in only partial improvement, but training for a particular type of work or placement in a special work situation may enable the individual to perform some gainful activity.

The costs of rehabilitating disabled beneficiaries should be met from the trust fund; disabled persons who were successfully rehabilitated could be removed from the benefit rolls, with a considerable saving to the insurance system. Furthermore, if rehabilitation is financed by the trust fund, workers would help meet the cost of their own rehabilitation.

In carrying out this rehabilitation activity, it would be appropriate to use, on a reimbursable basis, State and local agencies now administering programs of vocational rehabilitation. Availability of rehabilitation services for disability insurance would not then depend on the extent to which States can match Federal funds through appropriations from their own legislatures, nor would beneficiaries have to meet the means test required for some services by the present State-Federal programs.

The proposed work clause for old-age and survivors insurance, requiring suspension of benefits for months in which earnings from wages or self-employment exceed $50, should also apply to permanent total disability benefits. It should be broadened, however, to include earnings from any type of work, whether covered by the program or not. Disabled beneficiaries should be encouraged to do whatever work they can, and when they begin to earn regularly and substantially, benefits should be terminated. Where rehabilitation would be encouraged by permitting higher earnings for a limited period, the Federal Security Administrator should have the authority to suspend or modify the provisions of the work clause.

HEARINGS ON DISABILITY PROVISIONS OF H. R. 2893

At the hearings on H. R. 2893, testimony opposing disability insurance came primarily from employer and insurance company groups, who favor the use of State public assistance programs for meeting the economic needs of the disabled. Assistance, however, is not the most satisfactory solution. Since most Americans prefer to help pay for their own security, they should have an opportunity to do so through insurance. Public assistance should be restricted to the residual role for which it was designed—a supplementary program to care for persons who have no adequate means of support.

Opponents of permanent total disability insurance declare that life insurance companies have had adverse experience with this type of coverage. The lessons from limited life insurance company experience are much less decisive, however, than the fact that 30 to 40 countries, scores of public retirement systems, and many private employers have found it practical for decades to operate permanent total disability programs.

There is ample evidence that the early life insurance experience is not representative of the insurance approach, and in particular is not applicable to social insurance. Under the stress of keen competition in the 1920's, companies that first entered the field developed their income-disability provisions on inadequate experience and as an appendage to life insurance, without considering carefully the fundamentals of disability coverage. The reports of the insurance industry itself and of insurance actuaries on this experience indicate that contracts written primarily in this decade and based on unscientific underwriting practices are responsible for the unfavorable experience of some life insurance companies in later years. With respect to group insurance, only limited experience was developed before many of the contracts were discontinued; the evidence cited to support the implication that companies have not been able to handle disability coverage under group insurance is also inconclusive and of doubtful significance.

Testimony given to the Ways and Means Committee by representatives of many national organizations and by individual experts emphasized the need for a Federal program of disability insurance. Supporters of such a program included major church organizations, welfare agencies, veterans organizations, and labor groups, including both the American Federation of Labor and the Congress of Industrial Organizations.

The Social Security Administration is of the opinion that a program of social insurance falls short of its basic purpose if it fails to protect families against the risk of disability as well as of old age, death, and unemployment. Provision for protection against loss of earnings from temporary and permanent disability should no longer be deferred. Voluntary insurance has not met the need; nor does the present agglomeration of public programs offer a sound base upon which to extend such protection to the great majority of families within the foreseeable future. The Federal Government has successfully administered old-age and survivors insurance. It has the experience and the organization to administer disability benefits through a contributory social insurance program consistent with the traditional American concept of self-support.

Financing an Expanded Program

A long-range plan should be developed to assure that, not only in the years immediately ahead but also in the more distant future, ample funds will be available to finance benefit payments. With practically complete coverage of the gainfully employed and their dependents, the Administration believes provision for a Government contribution, as well as contributions of employers and employees, becomes equitable and appropriate. The ultimate cost of benefits under an expanded system of old-age, survivors, and permanent disability insurance should be distributed among employers, employees, and the Government in relation to the degree to which coverage is extended and the method of financing other types of social insurance benefits.

Employment Security

The economic climate in which the employment security program functioned in the fiscal year 1949 was markedly different from that in the preceding year. Declining employment and an expansion of the labor force resulted in a substantial rise in unemployment. During the latter half of the calendar year 1948, unemployment was at approximately the low level that prevailed during the latter half of 1947—less than 2 million. Beginning in November, however, an upward movement began which continued for the rest of the fiscal year. Unemployment averaged 3.2 million during January–June 1949—a million above the average during the corresponding 6 months of 1948. By the end of the fiscal year 3.8 million persons were out of work as compared with 2.2 million in June 1948.

During the fiscal year 1949, postwar inflationary tendencies appear to have reached their peak and to have given way to deflationary trends. The first half of the year saw unprecedentedly high employment, income, production, and continued high price levels, stimulated by continuing shortages of basic materials and durable goods, by rising wages and income, and by increasing Government expenditures and the sharp decline in the surplus of Government receipts over expenditures. For some segments of industry, it was a period of readjustment from capacity operations to a competitive buyers' market. Manufacturers of a wide variety of consumers' goods such as radios, electrical appliances, textiles, apparel, and shoes encountered readjustment problems. Production and employment in these industries fell off but remained well above "normal" prewar years. Such readjustments were reflected in lay-offs and shortened workweeks in the affected establishments but were more than offset by rises in other industries and establishments so that total employment and production continued to rise.

As the winter of 1948 began, the number of industries making adjustments increased, most material shortages were overcome, production and manufacturing employment began to fall, and unemployment began to rise. In December, however, total production still equaled that in December 1947, and both total employment and manufacturing employment were higher than they had been a year earlier. Unemployment was up slightly.

During the first half of 1949, the deflationary "soft spots" of 1948 became a pronounced downward trend. While hourly wage rates and employment and production in a few major industries continued to rise, income and hours and over-all production and employment began to fall below the levels of the preceding year, primarily because of the decline in manufacturing activity. By April 1949 total employment, which reached an all-time high of 61.6 million in July 1948, had dropped below that of the corresponding month in 1948. As the fiscal year ended, civilian employment totaled 59.6 million. Nonagricultural employment reached its all-time peak of 52.8 million in August 1948 and manufacturing employment its record level of 16.7 million the following month, but by February 1949 both were below the previous year's levels because of seasonal declines as well as declines due to readjustment curtailment of production. In addition, the length of the average workweek declined because of the increased number of people working fewer hours a week.

As 1949 progressed, additional consumer goods industries and a number of manufacturers of producer goods caught up with order backlogs and reduced production and employment. In March, steel, which had been one of the basic props, began a production decline. By the end of the fiscal year, the only major industries still operating at record levels on backlog orders were automobiles and construction. In construction, rising volume and expenditures were supported by increases in public construction; although expenditures for the first 6 months were up 4 percent from the corresponding period in 1948, private construction was down 5 percent.

Agricultural employment remained at approximately the same level, on the average, as in the preceding year—8.2 million. Lower agricultural employment during the first half of the fiscal year was offset by a higher average during the second half as the year's spring pick-up exceeded that of 1948.

Consolidation of Bureau Services and Activities

While no congressional measures affecting the statutory basis of the employment security program were enacted during the fiscal year 1949, the 1949 appropriation act provided for the transfer of the United States Employment Service from the Department of Labor to the Federal Security Agency as of July 1, 1948, and for its merger with the Bureau of Employment Security in the Social Security

Administration.[5] This transfer increased efficiency through the merging in single organizational units of activities which are common to both the employment service and unemployment insurance programs and "housekeeping" services, which were maintained separately while the programs were conducted in separate establishments. From an operating standpoint, the most significant of these mergers was the discontinuance of the 12 separately maintained regional offices and the integration of employment service and unemployment insurance regional staffs under a single regional employment security representative in each of the 10 Federal Security Agency regional offices. Greater effectiveness is expected to result from the training of regional staff members in all aspects of the employment security program so that a State agency may deal with a single member of the regional staff on all its problems rather than with a separate specialist for each area of activity.

Advisory Councils

The Wagner-Peyser Act of 1933 established a Federal Advisory Council composed of representatives of the public, employers, and workers "for the purpose of formulating policies and discussing problems relating to employment and insuring impartiality, neutrality, and freedom from political influence in the solution of such problems." Upon the transfer of the United States Employment Service to the Federal Security Agency, the functions of this council were expanded to include advice on policies affecting the unemployment insurance program and the membership was expanded to include persons interested in that program. A meeting of the Council was held in September 1948 to discuss a wide range of subjects, including program financing, unemployment insurance provisions, problems of improper benefit payments, manpower implications of the national security program, referral policy in labor disputes, and special farm labor and veterans' placement problems.

State advisory councils provide a channel whereby the public can participate directly in assisting State agencies to adjust their programs to changing conditions and help assure the best possible operation and management. The Bureau believes that such advisory councils, representing management, labor, and the public, should play a more active part than in the past in advising on formulation of legislative and administrative policy, thus improving the operation of the program, correcting its weaknesses, and increasing its usefulness to all concerned.

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[5] As of August 20, 1949, the Bureau of Employment Security was transferred to the Department of Labor, in accordance with the President's Reorganization Plan No. 2 of 1949.

Financing State Administration

Granting funds for financing administration of the employment security program poses difficult problems arising out of unpredictable variations in work loads, amendments to State laws, and changes in State salary scales. During 1948–49, these problems were intensified not only by the unexpectedly sharp increases in unemployment, but also because it was uncertain until virtually the close of the fiscal year how much money would be available for distribution to the States. The uncertainties imposed by this delay led State administrators to curtail certain unemployment insurance functions and divert personnel from important employment service activities. This is discussed more fully below.

Continuing its efforts to improve methods of allocating funds among the States, the Bureau adopted an integrated budget procedure in the spring of 1949, for reviewing State employment security budgets for July–December 1949. This procedure should eventually simplify budget processes and result in more objectivity and equity in the allocation of funds to the various States and a more efficient distribution of funds within the States. It requires the participation of all agency operating units, including local office management, in the original preparation, as well as the review and analysis of requests in the light of guides and criteria for appraising budgetary needs in specific operating areas.

This plan differs from previous budget procedures in several respects. First, it provides for the analysis of community needs for local office programs, setting up of program goals reflecting the extent to which the needs can be met, providing program plans as a basis for work-load estimates, and an operating program as a basis for measuring accomplishments. Thus, the program identified specific activities which need to be carried on, as well as those which can be carried on if the local office operating plan is followed.

An intensive review was undertaken of the justification for maintaining full-time offices in communities of less than 5,000 population, taking account of the requirements of farm placement activities, unemployment insurance work loads, pertinent geographical factors, needed services for veterans, and the relative costs of full-time offices as compared to itinerant service. Closing of 115 of the approximately 330 offices maintained in communities of less than 5,000 population was recommended. Economies resulting from this action will make it possible to provide for better staffing in urban areas where the urgent need for service has not been met adequately.

Second, this budgetary approach also is designed to achieve a more equitable distribution of funds appropriated by Congress for the administering of the State programs. Criteria uniformly applicable to all States are being developed for determining the amounts of funds needed to carry on basic employment security functions.

International Activities

During the year, the Bureau continued to give technical and consultative assistance to other Governments and international agencies, and to assist in the training and study programs of foreign officials in this country.

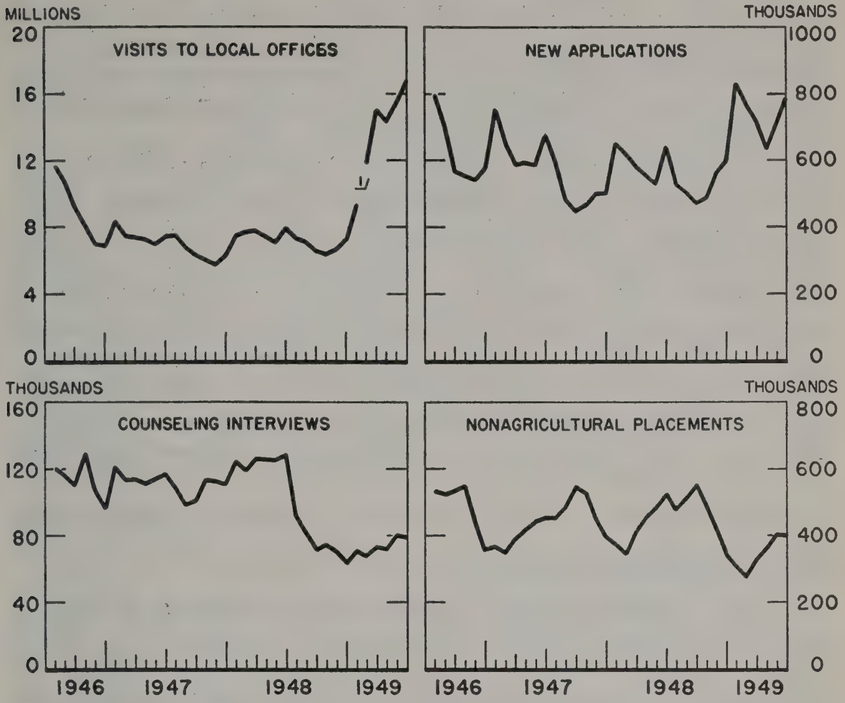
Bureau consultants participated in two conferences of the International Labor Organization. One of these consultants also conducted a survey of manpower problems in Germany at the request of the American Military Government. Another consultant assisted in an economic survey at Brazil at the request of the Brazilian Government. Bureau staff members took part in meetings of subcommittees on labor and on non-self-governing territories of the interdepartmental International Social Policy Committee.

Specialists from the Philippine Republic and Finland were given intensive training during the year in all parts of the employment security program. Less intensive assistance was given to four other trainees and 70 visitors from 12 foreign countries, including many trade union officials and employers.

EMPLOYMENT SERVICE

Employment security activities during fiscal year 1949 were directly affected by the continued over-all upward movement in production and general business activity during the first part of the fiscal year and the downturn in production, consumer demands, and employment during the latter part of the year. Persons seeking employment security services made well over 120 million visits to local offices as compared with approximately 83.8 million in the preceding fiscal year. A considerable portion of this rise reflected the upswing in the number of persons seeking jobs and/or other employment security services. More than 7.6 million workers filed new job applications with local offices during the fiscal year—about 15.6 percent more than in the previous 12 months; nearly three-fifths of these applications were filed during the last half of the year. Of these 7.6 million new applicants, approximately two-thirds were men, about the same proportion as in the preceding fiscal year. Veterans accounted for approximately 2.2 million of these new applications, representing about 43 percent of all those filed by men—a decline from 48 percent in the previous year.

Chart 13.—SELECTED EMPLOYMENT SERVICE ACTIVITIES



[1] Beginning February 1949, includes visits to all employment security local offices. Formerly reported as reception contacts, which excluded visits to separate claims offices.

Approximately 900,000 counseling interviews were held with applicants requiring special assistance in achieving vocational adjustment. As in the preceding year, men accounted for about four-fifths of these interviews. Some 414,000 counseling interviews were held with veterans; these represented nearly three-fifths of all counseling interviews with men, only a slight decline from the proportion in the previous year. About 490,000 counseling interviews were initial or first-time interviews with applicants—about the same proportion as in the preceding year.

Local offices made over 16 million referrals and 12.4 million job placements during the 12 months, in contrast to 12.7 million referrals and 7.8 million placements in the preceding fiscal year; the increases were attributable to the sharp expansion in the volume of farm referrals and placements. Casual nonagricultural and seasonal agricultural referrals and placements are ordinarily made without a formal application in the file; hence the number of such referrals and placements bears no relation to the number of new applications filed during the same period. Agricultural referrals rose from 2.5 million to

8.0 million, while placements in farm jobs increased from 2.3 million to 7.5 million. However, these activities represented a complete year's experience with full responsibility for the farm placement program while those in fiscal year 1948 represented only a half year's experience, since the Employment Service did not resume complete responsibility for this function until January 1948.

Some 8.6 million nonfarm referrals and 4.9 million nonfarm placements were made by local offices, about 15 and 11 percent, respectively, less than in the fiscal year 1948. This decline reflected the combined effects of the over-all contraction of employment opportunities, particularly toward the end of the year, and the limitation of staff time available for job developmental activities. Men accounted for three-fifths (about 3 million) of all nonfarm placements—about the same proportion as in the preceding year; as in fiscal year 1948, nearly half these nonfarm placements were of veterans. Nearly 1.5 million placements were made in manufacturing, representing 30 percent of all nonfarm placements, slightly below the 33 percent figure in the previous year. Service industries continued to absorb about one-fourth, trade about one-fifth, and construction about one-eighth of all nonagricultural placements.

Around 2.4 million employer visits were made during the year to determine employers' needs for services and to assist them in solving staffing problems. This number, substantially below that in the preceding year, reflected the effects of increased applicant and claims loads on local staffs.

About 295,000 handicapped persons filed new job applications during the year. These and other handicapped jobseekers with active registrations on file received approximately 150,000 initial counseling interviews; as in 1948, about half were veterans. Nonagricultural placements of handicapped applicants declined by 19 percent from the previous year, as a result of the over-all contraction of employment in many segments of the nonfarm economy and a trend among employers to limit openings available to handicapped workers.

Service to Veterans

To ensure carrying out its responsibilities under the Wagner-Peyser Act and the Servicemen's Readjustment Act, the Veterans Employment Service of the United States Employment Service assigns to each State and Territory a veterans' employment representative with one or more assistants. These representatives, in cooperation with the State employment services, have carried out a program of employment assistance for veterans with most satisfactory results. Curtailments in a number of industries during early 1949, however, have limited employment and training opportunities, particularly for older veterans, 1948 college graduates, and disabled veterans.

The employment status of veterans during the fiscal year 1949 fluctuated more than in any comparable period since VJ-day. Employment of World War II veterans climbed to an unprecedented high of nearly 13 million in August 1948 and then declined to 12.3 million in February 1949. This sharp increase in unemployment among World War II veterans was accompanied by a rise in the number drawing readjustment allowances and an increase in new applications filed by veterans from 131,000 in September to nearly 221,000 in February. The number of veterans placed in jobs by the State employment services dropped from 163,000 in September to less than 70,000 in February—the lowest number for any month since the end of the war. Notwithstanding these reversals, veterans accounted for 1.4 million nonagricultural placements (28.5 percent of all nonagricultural placements) during the fiscal year.

DISABLED VETERANS

During the fiscal year disabled veterans accounted for approximately 103,000 placements, as compared with 138,000 placements in the year before, a drop of 25.3 percent. New applications also declined for the third successive year, indicating that the vast majority of disabled veterans have already entered the labor market.

PROMOTIONAL ACTIVITIES

As the volume of veterans' unemployment increased, the Veterans Employment Service and the State employment services used every means available to increase their employment opportunities. About 155,000 employer calls were made and 146,000 job openings for veterans secured. The Veterans Employment Service cooperated with employer groups, civic organizations, and veterans' organizations in activities on behalf of unemployed veterans.

In its cooperation with the President's Committee on National Employ the Physically Handicapped Week, the Veterans Employment Service developed and distributed pamphlets, proofs, and mats for sponsored newspaper advertising, two radio transcriptions, an award scroll, and other materials.

Service to Agriculture

The Farm Placement Service on July 1, 1948, was operating effectively under its expanded farm labor program, which was launched January 1, 1948, upon the termination of wartime emergency arrangements under which the program had been directed by the Department of Agriculture.

Following a plan developed with representatives of State agencies and farm groups, the Employment Service assisted the industry to harvest and process bumper crops without significant loss due to labor shortage. Special farm labor committees—national, State, and local—contributed to the successful attainment of this major objective. In addition, 12 State employment services arranged to use volunteer farm placement representatives in areas where regular employment service facilities could not be maintained economically.

A system for the exchange of information between the States, through use of bulletins and wire communications, was a feature of the 1948 crop year and was particularly effective in the wheat and cotton harvests.

During the year, more than 7.5 million farm placements were made and about 445,000 farm employers were visited.

Unlike any other major industry, agriculture annually faces huge labor demands during relatively short periods. The migrant labor force, comprising several million persons, annually follows the seasonal cycle of crops.

There are three major geographic migrational patterns. Seasonal movements over these patterns are facilitated by preseason meetings in which representatives of State agencies and the Bureau plan the guidance of workers to bring about an even distribution of labor and the timing of worker movements to coincide with progress of crops and with demands in successive areas.

Special programs to help migratory workers attain maximum employment were emphasized. These included arrangements to give to migrants timely and accurate information on seasonal farm activities through daily or weekly informational bulletins in 21 States which provided current data on wages, crop conditions, housing, weather, and other factors relating to farm employment. Highway information stations were operated on major migrant routes during appropriate periods.

In addition, maps showing the principal agricultural areas needing outside labor were prepared for migrant workers. The maps indicated, by areas, the crops grown and approximate maturity dates and gave addresses of local Employment Service offices. Many States issued supplemental labor guides with more detailed information.

With the cooperation of State boards of education and youth-serving community groups, programs were set up in 22 States for the seasonal employment of urban school youth in agriculture. Encouraged by the success of the first months of operation, plans are being made to expand this program next year.

During the season, increased emphasis was placed on an expanded program for the employment of Indian workers in agriculture, a long-range program which involves the promotion of better employer understanding of Indian customs and habits.

Local offices further supplemented local labor supplies by recruiting out-of-State workers through the Employment Service clearance system. If circumstances developed so that qualified American workers on the mainland and from Puerto Rico were not available for specific jobs, certifications of need were sent to the Immigration and Naturalization Service which in turn authorized the importation of foreign labor. Such action, taken only as necessary to prevent crop losses, resulted in the importation of 33,000 Mexican nationals as well as workers from Canada and the British West Indies.

Continuing attention was given during the year to a less spectacular, but no less vital, phase of the farm placement program—recruitment and placement of year-round farm workers.

Service to Special Applicant Groups

The local employment office cannot be said to have fulfilled its obligations to all jobseekers in the community unless it provides assistance for applicants whose difficulty in finding employment stems from lack of working experience or from the reluctance of employers to hire them for reasons unrelated to their qualifications. These applicants include young people and workers who are handicapped by physical impairments, advancing age, or membership in racial, religious, or national-origin minorities. The Bureau is continuing to devote attention to increasing the employment opportunities of such groups.

MINORITY GROUPS

Activities to stimulate placements of workers against whom there is resistance because of such factors as color, religion, or national origin continued to increase in quantity and quality. Through field work with State officials, increased emphasis was placed on training of local office personnel in policy, techniques, and procedures in the satisfactory placement of minority group workers. Revised training materials have been developed, and the States' response to the Bureau's program leadership presages wider use of these materials. All State agencies assign personnel to the minority groups program on at least a part-time basis, and the practice of assigning full-time personnel is slowly increasing; one of the Southern States made such an appointment during the spring of 1949.

The Bureau has begun arrangements to secure the assistance of organizations concerned with the employment problems of minority group workers. A plan of cooperation has been completed with the National Urban League and similar arrangements are being made with other organizations.

Technical assistance was provided to States on newly enacted State statutes on fair employment practices.

HANDICAPPED WORKERS

Placements of the physically handicapped continue to improve in quality, although the general decline in employment was reflected in a decrease in placements for this group. Approximately 295,000 handicapped workers filed applications for work during the year, and 194,000 (including about 103,000 veterans) were placed in nonagricultural employment.

In addition to the fifth annual observance of National Employ the Physically Handicapped Week, a series of institute programs interpreting selective placement techniques to employers was organized in cooperation with major universities. These two developments, coupled with the growing number of State and local committees for employment of the handicapped, evidence growing Nation-wide interest in a soundly based year-round program of employment promotion for the handicapped.

YOUTH

Through the establishment of agreements with local school authorities, more young people have been assisted in the transition from school to work through the use of the counseling, testing, and placement services of local employment offices. The General Aptitude Test Battery has been administered to increasing numbers of high school seniors before graduation; through this early appraisal of vocational aptitudes, jobs were located in many cases before the actual graduation date. The further development of occupational information by local offices has provided youth-serving agencies with a means of improving younger peoples' understanding of the world of work. Magazine articles and the Bureau's pamphlet, "The Road to the Right Job," have informed young people and their parents of the services to youth available in public employment offices.

COLLEGE PLACEMENT

The college placement program was continued on a national scale with special attention to the 1 million veterans among the 2.5 million college students. The number of veterans graduating in June 1949 increased to approximately 200,000 or about 15 percent more than in the previous June. The peak of graduation of veteran college students will probably be reached in June 1950, when about 225,000 will enter the labor market. During the coming year the Veterans Employment Service, supported by the President's Committee on Higher Education and the American Council on Education, plans to intensify the placement program for college veteran students.

The college placement program has aided smaller colleges to set up their own placement services and has augmented the placement services in many larger institutions which previously were used mainly by employers through their own recruitment programs.

OLDER WORKERS

Increases in unemployment as the fiscal year progressed have brought into sharp focus the problem of the older workers in the labor force. Especially significant is the total number of veterans aged 45 and over, who constitute more than one-fourth of all males in that age group in the labor force. The present average age of World War I veterans is slightly above 55.

A study of local employment office experience with older workers conducted by the Bureau in six representative areas revealed that the older unemployment insurance claimants are usually unemployed longer than younger workers and that a higher proportion exhaust their benefit rights before they obtain new jobs. Though the proportion of older workers unemployed is relatively smaller than that of younger workers, they experience greater difficulty in getting jobs and, if they do, are more often downgraded in both skill and pay. The age restrictions given in employers' orders make it difficult for older workers to find jobs. In all six areas studied, some employers practiced this restriction.

Further studies of the problem of the older worker are contemplated. The Veterans Employment Service will participate in view of the significant number of veterans concerned.

Operating Developments

LOCAL OFFICE ORGANIZATION AND MANAGEMENT

During the year, materials were issued to all State agencies discussing the basic principles of organization as applied to employment service operations and including recommendations for efficient organization of local offices. Methods for planning the local office program and preparing budgets were also recommended; techniques were suggested for the control, evaluation, and supervision of all major employment service functions performed in the local office.

These materials were introduced through a series of demonstrations or "installations" in selected local offices, providing extremely valuable clinics for training local office managers and field supervisors. Through participation in these demonstrations, State supervisory staff members have been trained to install the system in other local offices. By the end of the year, the program had thus been introduced in 43 States.

MAJOR MARKET CONCEPT

A marked improvement in local office program planning and budgeting was brought through the increased adoption in State agencies of the "major market" concept, developed by the Bureau during the past several years. In most communities nonagricultural employment activity is concentrated in relatively few establishments, ordinarily representing 15 to 20 percent of the employers but actually employing about 75 percent of the nonagricultural workers. During the past year, most of the local employment offices identified their major markets and thus were enabled to readjust their organization as necessary and to focus their activities on the most fruitful fields of employment opportunities in their respective communities.

OCCUPATIONAL CLASSIFICATION

Rapid fluctuations in the labor market and resultant changes in employer requirements created local office operating problems with respect to the placement of certain groups of applicants. An important problem is the need for modifying the traditional concepts of occupational classification of applicants and of employer orders for selection purposes. The most acute operating difficulties have been connected with the classification of workers and orders in unskilled occupations.

Many employers are discarding their traditional approach to the selection of certain groups of workers on the basis of specific experience, and are moving toward a preference for workers who, without regard to previous experience, possess aptitudes and personal characteristics which enable them to perform specific types of work. To meet this situation, several State agencies began experimenting with new systems of classification, coding, and filing application cards. The Bureau initiated a program for coordinating these experiments and for further exploring and evaluating the need for changes in methods of selection, application-taking, and order-taking. At the close of the year, a long-range plan was developed providing for controlled experiments in selected local offices under a simplified classification system for unskilled occupations. Continuing evaluation of these experiments and of systems already in operation is expected to provide a basis for recommending needed changes in placement procedures.

Counseling and Testing

Despite shortages of funds and of employment service personnel resulting from increased unemployment insurance activities, employment counseling loads remained comparatively heavy in most States; approximately 900,000 counseling interviews were held during the fiscal year. Studies in selected areas, however, show that there is still a significant gap between the volume of services offered and the need for such services. As the labor market loosens, many more new entrants, World War II veterans, displaced older workers, and physically handicapped persons require counseling and selective placement services. The quality of counseling has been improved through more effective management controls and techniques for evaluation and supervision, as well as through wider application of such tools as occupational guides, specific aptitude tests for selection purposes, and the General Aptitude Test Battery.

Through decentralizing test development activities, 15 States have received specific training in test development techniques and State agencies developed more than 30 experimental test batteries covering over 50 occupations. This brings the total of occupations covered by standardized test batteries to well over 200. Test research studies have been undertaken cooperatively with nearly a dozen large universities and with several secondary schools and, in addition, with government establishments interested in the problems of selecting military personnel. Handbooks on data collection and data analysis for test development work have been completed and introduced experimentally in several States.

Considerable progress has been made in interpreting counseling, selective placement, and testing services to other public agencies and private organizations. For example, Bureau staff members have participated in institutes for professional personnel in the guidance field sponsored by colleges and universities and have prepared articles for publication in professional journals, trade publications, and popular magazines.

Occupational Information

Work on the new edition of the *Dictionary of Occupational Titles* was completed and the volume released in July 1949. The first edition provided a basic source of standard job nomenclature and classification for the national system of public employment offices. It was rapidly adopted and recognized as an authority for occupational data and classification by the armed forces and by other governmental agencies, private industry, labor organizations, schools and universities, and counseling groups. Its usefulness has been evidenced by the fact that, although only 8,000 copies of the 1940 edition were originally printed, subsequent orders brought the total printing to more than 100,000 copies.

The revised Dictionary includes additional job information previously released as supplements since 1940 and unpublished information for several industries and for many individual jobs. Notwithstanding this increased coverage (about 1,600 definitions), the number of job definitions has been reduced from 23,500 to 22,000 through revision and elimination of overlapping. These 22,000 definitions are identified by more than 40,000 job titles. Other changes designed to make the Dictionary more effective include a new system for alphabetizing titles, elimination of difficult cross-reference devices, and the grouping of related job definitions.

The Bureau has initiated a limited review of the current applicability of its existing occupational information materials and is developing materials covering additional occupations for use by the national military establishment and other agencies as well as by the State employment services. Preliminary contacts have been made with trade and professional associations and with State employment services to obtain their assistance in this work.

Training materials were completed and tested to provide State employment services with a standard procedure for developing job specifications for difficult-to-fill job orders; this procedure will be available for installation in employment offices during the next year.

Clearance of Workers

Progress was made during the year in matching jobs and workers in different localities through the national clearance system. In collaboration with representatives of State agencies, begun during the previous fiscal year, procedures were simplified, operations expedited, and greater flexibility assured in direct negotiations between local offices and between State agencies. These improvements were reflected in a complete revision of the manual of clearance procedures and the issuance of staff training materials for use by State employment services.

Budgetary limitations required elimination of the National Clearing House at the end of the fiscal year. This was a special placement facility provided for professional, scientific, and administrative workers in recognition of a Nation-wide, rather than a localized, labor market for their skills. Matching of these workers with jobs outside their own localities will continue through the regular clearance system.

Closer working relationships were established with the Immigration and Naturalization Service in connection with the importation of foreign workers, and procedures were developed to help strengthen the operation of the immigration laws and rules and regulations in the interests of American labor.

During the fiscal year, State agencies reported more than 600,000 clearance referrals, 350,000 of them in nonagricultural employment; clearance placements exceeded 350,000, including more than 100,000 in nonagricultural employment.

Labor-Market Analysis

The labor-market analysis program provided information which was used for program planning and budgeting purposes and was made available to other governmental establishments, to industry, and to the interested public through a variety of publications. State agencies were encouraged to develop their own materials similar to those prepared and used by the Bureau.

SERVICES TO OTHER GOVERNMENT AGENCIES

Rising unemployment during the latter half of the fiscal year focused attention on labor-market analysis materials as indicators of national economic conditions. To serve this purpose, information was supplied to the Council of Economic Advisors and the Joint Committee on the Economic Report, as well as such other agencies as the Department of Commerce, the Department of Labor, and the Board of Governors of the Federal Reserve System.

Labor-market information was supplied to the National Security Resources Board and to the Munitions Board in connection with planning for a possible emergency mobilization. The information covered materials on essential and critical occupations and on methods of estimating manpower requirements.

OCCUPATIONAL LABOR-MARKET ANALYSIS

Occupational labor-market information has proved to be a valuable tool in local employment office counseling programs and is in great demand by schools and vocational guidance associations. For use in counseling activities, the Bureau has released this information for 44 occupations during the past 2 years in the form of two-part *Occupational Guides*, each *Guide* consisting of a job description and information on the occupation's current and prospective economic characteristics.

State agencies were encouraged and given technical assistance as necessary in the preparation by local offices of occupational labor-market studies, or "job briefs," which proved of value in local office activities and often also provided the basis for the pertinent sections of *Occupational Guides* issued by the Bureau. More than 2,000 such studies were made during the year.

INDUSTRY AND AREA LABOR-MARKET ANALYSIS

Labor-market information relating to selected industries and areas was useful in locating geographic and economic areas with emerging employment problems. During early 1949, industry and area analyses furnished advice on the location and the industrial extent of employment declines.

Despite Federal and State staff curtailments, the Bureau continued to issue semiannual analyses of developments in key industries, particularly in manufacturing. The *Labor Market Report*, which is prepared every 2 months for selected urban areas and is the basis of the area analysis program, was revised so as to include only the minimum essential information and the number of areas covered was reduced from 149 to 100. This information on labor-market conditions is expected to be extremely useful to the local employment office and community groups in joint efforts to combat rising unemployment.

Assistance to Employers on Personnel Problems

During its 15 years of experience in developing methods and techniques to improve the selection and placement of workers, the public employment service has acquired a large fund of information regarding the underlying causes of such personnel problems as staffing requirements; selection, transfer, and promotion of workers; worker dissatisfaction; turn-over; and absenteeism. Industry has recognized the value of these techniques and has called upon local employment offices to a greater extent than ever for assistance in helping to resolve many in-plant personnel problems.

UNEMPLOYMENT INSURANCE

Unemployment insurance played as important a role in the Nation's social security program during 1948–49 as in any year in its history. The economic adjustments during the year, which led to a significant rise in manufacturing unemployment, were reflected in higher claim loads and benefit payments than in any preceding year.

Recognizing the importance of modifying the legal basis of the program to take account of changes in workers' needs in the light of changing price and wage levels, as well as the rising level of unemployment, 46 State legislatures considered changes in unemployment insurance laws and 38 States adopted significant amendments. While coverage of the laws was not broadened, the workers who were protected were given more nearly adequate insurance against loss of earnings during unemployment, with particular emphasis on the greater needs of workers with family dependents. On the other hand, disqualification provisions were made more stringent. Two additional States provided temporary disability benefits for nonoccupational disabilities, bringing the total with such provision to 5.

While in general the program was appreciably strengthened by the legislative changes made during the year, the State laws still leave serious gaps in the protection afforded jobless workers.

Covered Workers

Because State legislative changes in coverage provisions were minor, economic factors were primarily responsible for the decline in covered employment from July 1948 to June 1949. Tennessee restored the exclusion of nonprofit employees, leaving only Hawaii covering all such workers. Following the passage of Public Law 642 in 1948 (the Gearhart resolution), three States restricted the tests of employee status, emphasizing common-law rules as the principal basis for determining employer-employee relationship. No changes were made in the size of firms covered by the State laws; 29 now cover employees of firms with fewer than eight workers. Three States provided for automatic coverage of any services covered by the Federal Unemployment Tax Act, and one removed the exclusion of services of State employees.

In June 1949, 31.4 million workers were in employment covered by State unemployment insurance laws, compared with 33.3 million at the beginning of the fiscal year. Covered employment reached a peak of 33.7 million in September 1948, and a low point of 31.3 million in May 1949.

These figures represent the number of workers in covered jobs at a given time; a substantially larger number have some work in covered employment during the course of a year. About 45.6 million individuals, it is estimated, earned some covered wages in the calendar year 1948, and about 37 million or 80 percent of them had sufficient wage credits to qualify for benefits if they become unemployed.

While the majority of jobs in gainful work are covered by State or the railroad unemployment insurance laws, about 13.6 million or 30 percent of such jobs in an average week during the fiscal year were excluded from coverage. About 3.5 million are excluded solely because they are in firms smaller than the statutory size required.

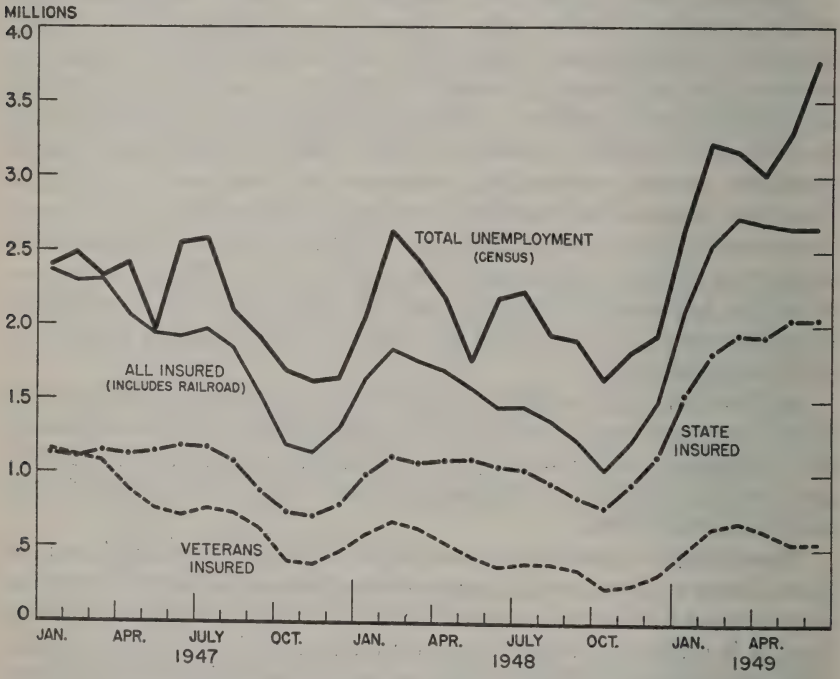
Government employment is another large excluded area, with approximately 3.6 million jobs in State and local governments and 1.7 million Federal civilian jobs. Also excluded are about 1.7 million agricultural jobs, an equal number in domestic service in private homes, and about a million in nonprofit organizations.

Claims and Benefit Payments

The 14.5 million initial claims filed during the year, representing new spells of unemployment, were 47 percent above the total for the preceding fiscal year and the largest number in any year since the program started.

In July 1948, unemployed covered workers filed 838,800 initial claims. The number dropped sharply in August and September despite a significant volume of initial claims from persons ineligible for vacation pay when their plants shut down for vacation peirods; the decreasing employment in the textile and apparel industries; and a sizable volume of secondary unemployment resulting from labor disputes. From a low point of 679,700 in September, initial claims rose each succeeding month to 1.6 million in January 1949. While this

Chart 14.—TOTAL AND INSURED UNEMPLOYMENT



sharp increase reflected the usual winter decline in seasonal industries, far more important was the beginning of downward adjustments in industries where the supply of goods produced had met the demand. Within 90 days—from mid-October 1948 to mid-January 1949—the weekly volume of initial claims rose from 155,500 to 376,400. While this increase was widespread, it was particularly heavy in New England and on the west coast. Further increases in initial claims during April and May were due, in part, to the beginning of new uniform benefit years in 10 States and did not represent new unemployment.

Continued claims representing weeks of unemployment among covered workers increased sharply over the preceding year, from 49.8 million to 71.7 million—an all-time high. In each of the first 4 months of fiscal year 1949, continued claims were below the level of the corresponding month in the preceding year; from 4.3 million in July 1948, they dropped to a low of 3.3 million in October. Growing unemployment among covered workers, however, increased continued claims by about 600,000 in November (in previous years, November was the low month of the year); claims continued to rise, to 8,753,800 in March 1949, and to the postwar peak of 8,778,300 in June.

For every 100 workers insured under State unemployment insurance laws, 3.3 to 3.4 were unemployed during the spring of 1948, but this ratio had reached 6.2 by June 1949. The figure varied widely among the States, reflecting differences in economic conditions and ranging from about 22 percent in Rhode Island to 1 percent in the Dakotas. As in the fiscal year 1948, New England and California had the highest ratios—more than 9 claimants for every 100 insured workers. Except for Rhode Island, where the June 1948 ratio of 7.9 had risen to 22.1 in June 1949, the greatest increases took place in New Hampshire (4.9 to 12.6) and Connecticut (3.0 to 9.5).

INTERSTATE CLAIMS

An increased movement of unemployed covered workers across State lines during the fiscal year 1949 was reflected in a rise in the volume of interstate claims. Interstate initial claims rose 37 percent over the preceding fiscal year to 647,000, and continued claims increased 30 percent to 3.6 million. The ratio of interstate claims to all claims, however, declined for the third successive year, reflecting the drop from the high level of interstate migration immediately after the end of the war. About 4.5 percent of all initial claims and 5.1 percent of all continued claims were interstate claims, as against 4.8 and 5.6 percent, respectively, in the preceding fiscal year. About one-fifth of all initial claims filed in Arizona, the District of Columbia, Florida, Kansas, Nevada, Oklahoma, and Wyoming, taken together, were interstate initial claims received as agent State.

RECONVERSION UNEMPLOYMENT BENEFITS FOR SEAMEN

Activities under the temporary program of reconversion unemployment benefits for seamen, provided in title XIII of the Social Security Act, generally declined in the fiscal year 1949. This temporary program was enacted in 1946 to provide unemployment benefits for seamen employed on American vessels controlled by the War Shipping Administration and its successor, the Maritime Commission; as Federal employees, they had not been insured under State unemployment insurance laws. Benefits under this program will terminate on June 30, 1950, under the extension of title XIII authorized by Congress (Public Law 174) shortly after the close of the 1949 fiscal year.

New claims filed under this program declined from 61,300 in the fiscal year 1948 to 37,200 in the fiscal year 1949. The number of weeks of unemployment compensated also fell—from 193,900 in 1947–48 to about 116,000 in 1948–49. Claimants whose only wage credits had been earned in Federal employment and who would not have been entitled to any benefit except for this program accounted for the majority of the weeks compensated—71 percent in 1947–48 and 52 percent in 1948–49. Federal expenditures also declined from $3.3 million in the fiscal year 1948 to $1.8 million in the fiscal year 1949.

At the end of the fiscal year, there were some 10,000 seamen with Federal wage credits, many of whom could not qualify for benefits on the basis of their State wage credits alone. It was on behalf of this group that the Congress extended title XIII for another year.

TIME LAPSE IN BENEFIT PAYMENTS

Despite a 45-percent increase in the volume of intrastate payments during fiscal year 1949, benefit checks generally were issued as promptly is in the preceding year; they were made far less promptly than in prewar years, primarily as a result of biweekly claims taking. Before the war, all claims had been taken weekly.

Since the time lapse is measured from the end of the week of unemployment for which benefits are claimed, rather than from the date on which the claim is filed, the payments on biweekly claims are necessarily less prompt than on claims taken weekly. Before the war, 83 percent of the intrastate first payments and 94 percent of the second and subsequent payments were issued within 2 weeks. In the fiscal year 1949, while payments based on weekly claims were made as promptly as in prewar years, only 46 percent of the first payments on claims taken biweekly and 56 percent of the second and subsequent payments were issued within 2 weeks. At the end of the fiscal year, 15 States, including the large States of Illinois, Missouri, New Jersey, and Texas, took all compensable claims on a biweekly basis, and 12 other States took a part of their claims biweekly.

Interstate payments were made less promptly during 1949 than in 1948, primarily because the States tended to give primary attention to processing the increasing volume of intrastate claims; in addition, application of more restrictive eligibility and disqualification provisions led to questioning of the validity of many interstate claims, thus delaying processing. Only 35 percent of the first payments and 46 percent of the second and subsequent payments were made within 2 weeks, in contrast to the prewar averages of 64 and 74 percent, respectively.

AMOUNT AND DURATION OF BENEFITS

During the fiscal year 1949, 5.6 million workers drew benefits, a larger number than during the first reconversion year, 1945–46, and almost 50 percent more than during the fiscal year 1948. Reflecting the sharp increase in unemployment beginning in the fall of 1948, more than two-thirds of these beneficiaries drew their first checks after December 31, 1948.

Since new unemployment was much heavier in the second half of the fiscal year, the average number of weeks of benefit received per beneficiary during the year does not fully reflect the increased duration of unemployment. In the fiscal year 1949, the average benefit recipient drew 11 weeks of benefits, about the same as in the preceding year. At the end of the year, however, almost one-third of the year's beneficiaries were still receiving benefits.

Similarly, the proportion of beneficiaries who exhausted rights during the year is not a full reflection of the increase in unemployment. This proportion was about 30 percent, the same as in the preceding year. Of the beneficiaries whose benefit years ended in April–June 1949, about 24 percent had exhausted benefit rights, but by the end of June 32 percent of those with benefit years ending in July–September had exhausted their rights, with up to 3 months remaining in the benefit years. Of the beneficiaries whose benefit years ended in October–December 1949, 27 percent had already exhausted their rights by June 30, with 3 to 6 months remaining of the benefit years. As a matter of fact, in six States more than half the beneficiaries whose benefit years ended in April–June 1949, and in eight States more than 40 percent of the beneficiaries in benefit years ending October-December, had already exhausted their rights by June 30, though 3 to 6 months remained in the benefit year.

Beneficiaries who exhausted benefits during the year had received about 17 weeks of benefits on the average. Only in New York had all such workers received benefits for 26 weeks. In 11 States at the other extreme, workers exhausted benefits after receiving an average of less than 15 weeks of benefits.

The size of weekly payments for total unemployment continued to increase during most of the year and averaged $19.91 for the year, a new high. This rise resulted from continued increases in the wages on which the benefits were based, liberalized provisions of State laws, and a greater proportion of higher-paid workers among the beneficiaries.

Weekly benefits varied considerably among the States both in absolute amounts and in relation to wages. The average weekly payment in June 1949 varied from $13. 80 in Florida to more than $23 in Massachusetts, New York, and Utah. The average payment was more than $20 in 15 States and less than $15 in five States. In only four States—Massachusetts, Rhode Island, South Carolina, and Utah—was the average weekly payment as much as 40 percent of average wages. There were 16 such States in May 1940. In May 1949 average payments were one third of wages for the country as a whole, and less than 30 percent in 18 States.

The main limitation on weekly benefits in relation to wages continued to be the maximum weekly benefit amount. Despite the fact that all States except Florida have increased their maximums since 1940, some by $10 or more, in no State was the basic maximum (excluding dependents' allowances) as high a proportion of wages at the end of June 1949 as it had been in 1940. Only four States had a basic maximum benefit rate as great as half of average weekly wages. The reverse was true in 1940, when only four States had a basic maximum of less than half of weekly wages.

During the fiscal year, more than 20 percent of the beneficiaries in five States had their weekly benefits increased (by about one-fifth on the average), by the addition of dependents' allowances. Two of these States liberalized existing provisions for dependents, and six more States added dependents' allowances to their laws by July 1, 1949. Even with these allowances, which bring the maximum up to more than $35 in four States, the over-all maximum can exceed 50 percent of average wages in only 5 of the 11 States with dependents' allowances.

In relation to living costs, benefits are little higher than in 1940. In January-March 1949, for example, the average weekly payment, adjusted for changes in consumers' prices since 1935–39, was $11. 78, compared to $10. 58 in January-March 1940. In these terms, benefits reached their peak in October-December 1945, when the weekly payment was worth $14. 70 in 1935–39 dollars.

During the 1949 legislative sessions, 23 States increased maximum basic weekly benefits, effective in 1949, and one State increased benefits, effective April 1, 1950. Thirteen States increased maximum duration of benefits.

In all, 29 States liberalized maximum potential benefit rights. Maximum weekly benefits now vary from $15 to $26 without dependents' allowances, and from $20 to $40 or more in the 11 States with dependents' allowances. Only two States, accounting for 2. 8 percent of all covered workers in the country, retain maximum weekly amounts of $18 or less. All the other States provide maximum basic weekly benefits of $20 or more; 29 of them, with 72 percent of the covered workers, provide $25 or more, including dependents' allowances.

The maximum potential weeks of benefits vary among the States from 12 to 26½ weeks. In 15 States, with one-fourth of the Nation's covered workers, all eligible workers may receive the number of weeks of benefits specified in the State law (12–26 weeks) if they remain unemployed and eligible. In the other 36 States, claimants' potential durations of benefits vary from 16 to 26½ weeks according to their base-period wages in covered employment; for claimants who barely qualify for benefits duration varies from 1 to 15 weeks. Almost half of the Nation's covered workers are in 13 States with maximum duration of 26 or more weeks; over two-fifths are in 30 States with maximum duration of 20–25 weeks; only 1 in every 14 covered workers is in the 8 States with maximum duration of less than 20 weeks. In most States, claimants at all benefit levels may be eligible for maximum weeks of benefits. However, in nine States, with almost one-fifth of the country's covered workers, only those claimants whose wages entitle them to the highest weekly benefit amount can receive the maximum weeks of benefits.

The increases in maximum potential benefits have been accompanied by increases in the amount of prior wages in covered employment required for these benefits by the State laws. Thus, in 7 States workers must have earned $2,500 to $2,950 in the base year in order to obtain the maximum benefits payable under the State law. In one State, to qualify for maximum dependents' allowances requires base-period wages of over $3,400, which is even more than the maximum amount of taxable wages.

Eligibility and Disqualification

The determination that a claimant is entitled to receive benefits for a particular week is extremely difficult, since it involves a decision on his ability and availability for work as well as on whether he is subject to disqualification. These provisions are designed to test the genuineness of the claimant's unemployment as well as his current attachment to the labor market. All State laws disqualify a worker who, without good cause, leaves his job voluntarily or refuses suitable work; who is discharged for misconduct connected with his work; or whose unemployment is due to a labor dispute in which he is directly concerned.

While some disqualification provisions were lightened during 1949, they were offset by additional restrictions. Four States added a disqualification for unemployment due to pregnancy, making a total of 23 States with such provisions. All but six States now recognize one or more causes of disqualification in addition to the four basic causes mentioned in the preceding paragraph.

As the potential duration of benefits has increased, the maximum period of disqualification has also been lengthened, in one State as much as 24 weeks. Only 12 States have disqualification periods as short as 4 weeks (in addition to the week of the disqualifying act) and 14 disqualify for the duration of the unemployment for one or more of the three major causes.

Twenty-two States cancel or reduce benefit rights in case of disqualification for one or more of the three major causes and 16 cancel or reduce such rights for one or more of the special causes of disqualification.

Between July 1948 and June 30, 1949, over 1,087,000 claims, or 9 percent of the initial claims filed by insured workers, were disallowed or resulted in disqualification (exclusive of labor dispute cases). The volume of disqualifications failed to go up from the 1948 level with the substantial increase in claims activity, because most unemployment during the year was involuntary, due to large-scale reductions in employers' work forces; in most cases, claimants remained unemployed for lack of job openings. For the same reasons, the proportion of disqualifications due to refusal of suitable work dropped by over 20 percent as compared with the preceding year.

The application of the availability and disqualification provisions varied widely from State to State, according to differences in statutory provisions, policy interpretation, and labor-market conditions. In two States the number of denials and disqualifications exceeded one-third of the number of new claims filed by insured workers.

During 1949, seven States added requirements that claimants make an active personal search for work, in addition to registering with the employment service, as a condition of receiving benefits. As of June 30, 1949, 22 States had such statutory requirements, and at least 23 others were interpreting their laws to require certain groups of claimants to make such a search. The Bureau of Employment Security has suggested to the States an interpretation of this requirement which takes into consideration hiring practices in the claimant's occupation as well as existing labor-market conditions.

An increasing number of benefit decisions, by State agencies and courts, have raised fundamental questions concerning the purposes of the unemployment insurance laws and the extent to which the laws as interpreted fulfill these purposes. For example, under one State law the disqualifications for voluntary separation, discharge for misconduct, or refusal of suitable work continue until the individual has "earned wages in employment equal to 10 times his weekly benefit amount." In States where the qualifying requirement is interpreted to mean that such wages must be earned in employment covered by its unemployment insurance law, the claimant who moves to a new State loses all benefit rights earned in the first State, even though he accepts work in the second State and earns many times the required amount.

As a result of a State supreme court decision, another State must disqualify claimants who leave suitable work voluntarily, even though they accept other work without intervening unemployment, work for the new employer for a substantial period, and lose the new job solely because of lack of work. This provision puts pressure on workers to remain with their current employers regardless of better jobs elsewhere and may well make it difficult for a new or expanding industry to recruit skilled labor.

Appeals

All States provide that claimants and employers may appeal unsatisfactory determinations respecting claims for benefits to administrative appeal tribunals. Most laws provide, in addition, a second stage of appeal before resort to the courts is taken. Most decisions of the lower bodies are not further appealed.

During the year, the number of appeals rose considerably, reflecting the rise in claims. Lower appeals bodies averaged about 17,000 per month, as compared with 14,500 per month in the preceding year.

This increase in appeals enhanced existing difficulties—the basic problems of furnishing prompt hearings and doing substantial justice to out-of-State workers. Bureau personnel, in cooperation with the State agencies, made surveys of State appeals procedures and the resulting recommendations have been notably effective. Procedures were modified in some States to make earlier hearings possible. Studies in a large number of States on the special difficulties inherent in furnishing a fair hearing to the claimant who has moved to another State are designed to yield ways to improve the quality and promptness of the hearings and decisions for such workers.

The Bureau continued to conduct training courses in methods of writing technically sound decisions that are comprehensible to the layman and on techniques of organizing and maintaining manuals of precedent-making appeals decisions and other materials. Such manuals are essential to adequate appeals decisions, as well as to good determinations and fact-finding before the appeals are taken.

Nevertheless, backlogs and long delays still remained. At the end of June 1949, there were about 8,200 labor dispute appeals and 28,800 other appeals at the first stage not processed, as compared with 3,750 labor dispute appeals and 18,800 other appeals received that month. At the second stage, the comparison is even less favorable. These backlogs necessarily mean delays in the handling of appeals and in paying benefits. In June 1949, only 20 percent of all the first-stage appeal decisions in the country were issued in less than 30 days, and 24 percent took over 75 days. At the second appeal stage, the time involved was even longer, 50 percent taking over 75 days. While some agencies disposed of their appeals very promptly, both the Bureau and the States are working on methods to simplify operations and speed up the appeals process.

Financing Benefit Costs

The total amount of funds available for benefits in the 51 State reserves aggregated about $7.3 billion on June 30, 1949, a decrease of about $84 million from the balance at the beginning of the fiscal year, and $294 million below the December 1948 peak. The excess of benefit expenditures (nearly $1,200 million) over State tax collections (aggregating $989 million) was primarily responsible for this decline. Another factor was New Jersey's withdrawal of $40 million in employee contributions (under section 303 (a) (5) of the Social Security Act), to be used for financing its temporary disability program. On the other hand, interest earnings were $160 million.

Although taxable wages in the fiscal year 1949 exceeded those in the preceding year, revenues collected declined slightly, from $1,007 million to $989 million. This decrease reflected a slightly lower average employer contribution rate for the Nation as a whole and the diversion to temporary disability insurance of three-fourths of the 1-percent employee tax in New Jersey formerly collected for the unemployment insurance program. The most significant change in the average employer tax rate was in Mississippi, where a reduction of 50 percent followed introduction of a pay-roll-variation type of experience rating in July 1948. There were significant changes in average employer tax rates in six other States. New rate schedules resulted in rate reductions in Colorado, Nebraska, and New Jersey. The average rate in Connecticut rose from 0.3 to 0.6 percent, because a decline in reserves did not permit the additional tax reductions which had been possible in 1947–48, when income exceeded outgo. The average rates in Georgia and North Dakota also increased significantly.

During the 1949 legislative sessions, 20 States reduced employers' rates directly by lowering requirements necessary to obtain reduced rates. In addition, 19 States added new lower minimum or maximum rates, and five States eliminated or reduced rates above the standard 2.7 percent. Employers may obtain a zero rate in 12 States. In 24 States, the minimum is 0.1–0.35 percent, and only four have a minimum rate as high as 1 percent. Five States added provisions for voluntary contributions, making a total of 19 which now permit bypassing the customary rate schedule by means of voluntary contributions.

Experience with the existing additional-credit provisions of the Federal act has clearly demonstrated the difficulties and complexities involved in incorporating them into workable experience-rating plans. Few of the difficulties thus encountered have been concerned with the basic problem of assuring that tax reductions will not jeopardize payment of benefits; most of the administrative problems are of essentially minor significance. More important is the fact that lowered tax rates have reduced revenues and accumulation of reserves during recent prosperous years so greatly as to require some States to assess higher taxes than would otherwise be necessary.

A substantial rise in insured unemployment in several States increased benefit expenditures from $753 million in the fiscal year 1948 to almost $1,200 million in 1949. Benefit expenditure rates (benefit payments as a percent of taxable wages) varied considerably among the States. Although many States had rates of less than 1 percent, relatively high rates in California (3.2 percent), New York (2.4 percent), and others raised the average national rate to 1.5 percent, from 1.0 percent in the preceding year. The highest rate of expenditures was in Rhode Island, where benefit outlays equaled 4.7 percent of taxable wages.

Reserves declined in 12 States, with the sharpest drops occurring in New England, where heavy unemployment in the textile and related industries increased benefit costs. The most serious decline was in Rhode Island, where reserves fell to $34 million by the end of June 1949, $17 million less than the amount a year earlier. The Massachusetts reserve declined by $32 million during the year, resulting in a balance of $144 million, equivalent to only 4.4 percent of taxable wages—the lowest reserve ratio of any State. The average national ratio was 9.3 percent.

The attention focused upon the State solvency situation by these declines in reserves and rising expenditure levels increased interest in reexamining the basis of financing State programs. With State cooperation, the Bureau has initiated comprehensive studies in six States covering basic economic analysis, review of past experience, and analysis of anticipated experience on the basis of alternative assumptions. Considerable work is being done to develop methods which the States can employ in analyzing solvency problems.

While the laws of 44 States contain provisions authorizing States to encourage the development of plans for employment regularization, no substantial evidence has so far been made available to indicate that positive results have been achieved. It is impossible to obtain conclusive evidence as to the effect of State experience-rating systems upon the employment and related policies of employers.

Temporary Disability Insurance Coordinated With Unemployment Insurance

On June 30, 1949, only 12.3 percent of all covered workers—those located in California, New Jersey, and Rhode Island—could receive cash payments from their States for unemployment due to sickness. During the fiscal year, workers in these three States received $29.5 million in such benefits under the State plans, which are administered by the employment security agency in coordination with unemployment insurance.

All three programs are financed, both as to benefits and administrative expenses, by a 1-percent tax on wages up to $3,000; in California and Rhode Island, the entire amount is paid by workers; in New Jersey, workers pay three-fourths and employers, one-fourth. The Rhode Island cash sickness insurance program, like unemployment insurance, is exclusively government-operated. All contributions are paid to the State, and all benefits are paid by the State. The California and New Jersey laws, however, include "contracting-out" provisions, under which a private plan that meets certain legal conditions may be substituted for coverage under the State plan. Workers not under a private plan are covered by the State plan and pay contributions to the State; workers do not contribute to or receive benefits from the State while they are covered by an approved private plan. The conditions for approval vary but, except for private plans existing in New Jersey as of January 1, 1949, they generally require benefits at least as good as those under the State plan, at no higher cost to workers, and with some assurance that the promised benefits will be paid when due. The California law attempts to prevent the private plans from confining themselves to the better risks.

The risk covered is inability to work by reason of illness or accident which is not compensable under workmen's compensation. Only Rhode Island includes pregnancy as a cause of disability. Coverage is the same as under unemployment insurance, and benefits are determined by the same formula, using the same wage records.

During the fiscal year, claims for 227,000 spells of disability were filed in California; 142,000 spells were claimed under the State plan, the rest under private plans. Under the State plan, more than 1 million weeks of illness were compensated, with a total expenditure of $23.4 million for benefits. Since State plan collections at 1 percent of pay roll totaled $42,062,000 in the same period, benefits were 0.56 percent of pay rolls subject to the State fund. On June 30, 1949, about 24,100 employers, or 10 percent of those covered, with more than 1 million workers (43 percent) were covered by private plans instead of the State plan.

In Rhode Island, claims were received for 33,300 spells of disability, and $4.8 million was paid in benefits for 263,700 weeks.

Benefit payments in New Jersey began January 1, 1949. In the first 6 months of operation, 11,300 spells of disability were allowed by the State, and an unknown additional number by private plans. Benefits paid by the State amounted to $1.2 million for 61,800 weeks and part weeks of disability. On July 1, 1949, 15,100 employers, 38 percent of all subject employers, and 823,000 workers, 63 percent of all covered workers, were in private plans.

In all these States, the average weekly number of disability insurance beneficiaries was substantially smaller than that of unemployment insurance beneficiaries. Differences in average weekly payments under the two programs were slight, except in Rhode Island prior to April 2, 1949, when the disability insurance weekly maximum was raised to the unemployment insurance level.

Twenty State legislatures considered legislation in the field of temporary disability insurance during 1949, including the three States with existing laws, but only New York and Washington enacted laws; the effective date of the Washington law was postponed until after a referendum at the November 1950 general election. The New York law, under which benefits become payable in July 1950, is administered by the Workmen's Compensation Board and is not coordinated with the unemployment insurance program; its enactment brings the number of workers with disability protection up to one-fourth of the covered labor force.

The Ohio, Maryland, and Massachusetts legislatures authorized studies of problems of unemployment due to disability. In Rhode Island, weekly and annual benefits for disability were brought up to the level adopted in 1947 for unemployment benefits. California removed the limit for combined disability and unemployment benefits of one and one-half times the benefits allowed under either program alone and added hospitalization benefits for claimants eligible for disability benefits.

Other Aspects of Federal-State Administration

In assisting State agencies to do a more efficient job and in offering leadership in providing a sound system of unemployment insurance, the Bureau staff gives general suggestions to all States and on request, individual assistance to specific States. Since it receives and studies reports from all States, the Bureau acts as a clearing house of information on State legislative, operating, interpretative, and statistical experience. It has also worked with the States in developing a more comprehensive informational program.

INVESTIGATION OF FRAUD

The prevention and detection of fraud in benefit payments received the continued attention of the Bureau and the States. A questionnaire survey brought out some significant views of the State agencies as to the nature and extent of the problem. Claims by individuals who are working or are unavailable or unable to work, which have been widely publicized as an abuse, were emphasized. Claims based upon misinformation or misunderstanding and various kinds of improper or overpayments were frequently referred to as fraud, even though they contained no element of intentional misrepresentation, which is a necessary element in actual fraud. While information on the volume of detected fraud was not available in all States, the amount of fraud in terms of ascertained cases or dollars and cents appeared to be negligible. More complete information is needed on fraud prevention and detection activities, and steps are being taken to obtain it. Since improved fact finding is needed to ensure against improper payments, the Bureau is developing methods of obtaining proof of claimants' eligibility for benefits, and of the adequacy of information given claimants regarding conditions under which benefits are payable. The relative importance given fraud prevention during the past year by the States and the Bureau ensures better and more workable controls than heretofore.

INTERSTATE CLAIMS

Interstate benefit claims were handled under two separate plans during the period. The original interstate benefit payment plan was in operation in all States, and 18 States also participated in the experimental "Interstate Arrangement for Determination and Payment of Interstate Claims." Under the former plan, the State in which the claimant is located acts as an agent in taking claims and developing facts for transmittal to the liable State, which makes all determinations and payments in accordance with its own law. Under the experimental arrangement, the determination of benefit rights made by the liable State was transferred to the agent State, which then made payments in accordance with this monetary determination. The agent State made subsequent determinations on continued claims in accordance with its own law, being reimbursed periodically by the liable State for amounts expended.

Since Nation-wide participation in the experimental arrangement could not be obtained, and proposed modifications were not generally accepted, it was discontinued as of June 30, 1949. Present efforts are being concentrated on improving the operation of the original plan. To this end, the Bureau made surveys of interstate benefit payments in 13 States as well as an intensive study of operations in Miami, Florida. This was used as a test office to develop and test, under controlled conditions, the standards for claims taking and fact finding needed by liable States for the proper determination of interstate claims. Recommendations arising out of these studies were made available to all States.

DECENTRALIZATION OF DETERMINATIONS AND PAYMENTS

During the year, the Bureau continued to assist States interested in decentralizing benefit determinations to the local offices. Twenty-eight have authorized local offices to make determinations on most disqualifying issues, except for labor dispute issues. Four States continue to pay benefits in local offices. Rhode Island makes cash payments in all local offices, and in California over 70 percent of all payments are by cash. Michigan and Minnesota make local office payments by check. No serious operating problems have developed in these States through such delegation of responsibility to the local offices; the fact that in most cases claimants receive their benefits for a week of unemployment immediately after the end of that week has been a marked advantage. Only Michigan and Maine local offices determine the amount and duration of benefits; in most States present legal provisions make it impracticable to perform this function locally.

DEVELOPMENT OF A SOUND BENEFIT FORMULA WITHOUT WAGE RECORDS

The Bureau continued to work closely with the States to develop sound benefit formulas without current collection and maintenance of wage records for all covered workers. Even with increased claim loads, relatively few wage records are used in determining workers' benefit rights. In addition, periodic wage reporting has limited experimentation and desirable improvements in the benefit formula.

During the year, several States studied alternative plans to eliminate wage records from the standpoint of their effect on benefit rights and the possibility of securing the necessary information from employers when needed. The Nebraska and Utah laws were changed to eliminate the requirement of quarterly wage reports for individual workers; these reports are to be obtained only when claims are filed.

IMPROVING THE EMPLOYMENT SECURITY PROGRAM

The rise in unemployment during the fiscal year again tested the ability of the program to meet the most pressing needs of millions of jobless workers and their families. At the same time, it brought to the attention of the country the important contribution the program made to our economy during a period of economic adjustment. The volume of employment security activities was greater than during 1945–46, when the Nation's industries were changing over from war production to a civilian economy.

The employment service and unemployment insurance programs, working together, tided workers over a difficult period of industrial and business readjustment during the greater part of the 1949 fiscal year. As orders fell off and businessmen adopted hand-to-mouth buying programs, plants reduced staffs and unemployment rolls mounted rapidly. Wage and salary incomes declined, lessening buying power needed to keep production levels from falling further. The seriousness of this situation in its domestic aspects was matched by its implications for foreign policy because of the importance of the health of our own economy to the political and economic security of nations throughout the world. The Nation's foreign aid program, plans for investment abroad to develop and strengthen the economies of other countries, loan programs—all these teeter in the balance with every downward trend, or even rumor of such trend, in our economy.

In this situation, the speed with which the employment security program feeds purchasing power back into the economy to replace that lost by loss of wages has been very significant. While the proportion of wage loss so compensated is inadequate, the very fact of $1.2 billion in benefit payments during the fiscal year and the payment rate of about $150 million per month in the summer of 1949 provided an invaluable prop to the Nation's economic well-being. For example, the payment during June 1949 of $26 million in benefits in New York, $22 million in California, and $13 million in Massachusetts made contributions to the economy of these States which helped to prevent lay-offs in a few industries from developing into a downward whirlpool of unemployment engulfing additional industries.

While playing a role vitally important to workers, the program is of equal value to employers. Without unemployment insurance, unemployed workers may be without income until they find new jobs.

Although benefits replace only a portion of lost wages, they go a long way toward maintaining purchasing power and morale in a community when plants shut down. Payment of benefits to his laid-off workers relieves the employer of the fear that his labor force will evaporate as his workers seek jobs with other firms and in other communities during periods of temporary unemployment. New businesses as well as established concerns benefit from a system which gives the unemployed worker a chance to look around for a job for which he is equipped and assistance from a Nation-wide system of public employment offices to aid him in the search for work with which he may be satisfied as the most suitable available. The costs of providing these services to workers and employers are met by the entire community, for taxes on employers are borne by the users of the goods and services they produce. But the community receives full value from these costs in preservation of labor skills and purchasing power, easing of pressure on workers to move away in search for work during even short spells of unemployment, and added security for all who are directly or indirectly affected by the risk of unemployment.

In a period of decreasing employment, wages, and purchasing power, no other device exists whereby declining purchasing power can be restored as rapidly and workers and jobs can be brought together with so little waste of time and effort. Although unemployment now constitutes a serious problem in local areas, rather than on a Nation-wide scale, the employment security program is in the most strategic position to identify the areas where unemployment is rising and where measures should be taken by government, industry, and labor to utilize available labor and to keep unemployment from spreading. Employment security can never be a cure for depression, but a strong and effective program can serve as a brake on a downward movement of business activity.

Despite its significant contribution, the effectiveness of the employment security program has been severely limited by a number of inherent weaknesses. Some of the more important of these were singled out for attention in the fall of 1948 in the report of the Senate Advisory Council on Social Security. Of first importance is the inadequacy of coverage, whereby only 7 of every 10 wage earners have this insurance protection against loss of wages.

Second, benefits have been inadequate both in amount and in duration. Benefits have restored only one-third of wages at a time when high prices have required the use of a large proportion of wages for nondeferrable necessities, and have been particularly inadequate for unemployed workers with family dependents. Perhaps more serious has been the inadequate duration of benefits, causing hundreds of thousands of workers to exhaust benefits before getting another job.

Third, harsh disqualification and eligibility provisions and their administration have denied the protection of the program to a significantly large proportion of the unemployed workers—including those who are able, ready, and willing to work and whose unemployment is due to conditions beyond their control.

Fourth, the operation of the program has led to serious delays in payments of benefits, especially interstate claims. These delays have weakened the program by not paying promptly the benefits to which unemployed workers are entitled under this program, at the time when they need them most.

The national interest in the effectiveness of the program is imperiled by these weaknesses. This interest can be preserved only through the achievement of necessary changes which will make it a more nearly adequate buttress for supporting the national economy in a period of stress.

Strengthening the program calls for improvements in several areas. Our Nation-wide employment service needs further improvement in order to serve unemployed workers and employers more effectively. Statutory minimum standards for unemployment insurance are necessary to increase the program's over-all effectiveness. These would assure more comprehensive coverage, and payment of benefits in amounts more closely related to wage loss so as to be more effective in combating the tendency of reduced purchasing power to create more unemployment, and for a period long enough to give protection for the average duration of unemployment.

In addition, methods of financing should be adopted which will provide adequate benefit funds in times of high-level employment and make it unnecessary to increase taxes sharply when business activity declines and will ensure adequate funds for administration when work loads fluctuate sharply. The program should also ensure that benefits are paid only to workers who are involuntarily unemployed regardless of employer responsibility for their unemployment; on the other hand, that disqualifications do not reduce benefit protection or withhold benefits for refusal to accept work where this will undermine labor standards and not give the worker an opportunity to utilize his acquired skills. At the same time, the program should provide safeguards against malingering and encourage workers to take available and generally acceptable jobs.

Finally, more nearly adequate financial resources should be made available for program planning and research, to anticipate future developments and to chart a desirable course of action before emergency measures become necessary. Thus far, research has been inadequate in such fields as counseling and testing, coverage of excluded groups, organization and management of local offices, occupational analysis, financial solvency, and interstate benefit and appeals problems, where the changing character of the labor market and the growing size of the program necessitates continuing analysis of trends and developments.

Employment Service

A Nation-wide system of public employment offices has been in operation since 1933 under the Wagner-Peyser Act, as amended, designed to provide an organized method of bringing jobs and job-seekers together. Since 1942, when the United States Employment Service became a part of the War Manpower Commission, the provisions of the Wagner-Peyser Act for financing State employment office operations through Federal matching of State funds have been suspended. Administration of State employment services, like administration of State unemployment insurance programs, has been financed entirely by Federal grants. In 1945, the United States Employment Service was transferred to the Department of Labor, and since July 1, 1948, the national direction of the employment service and the unemployment insurance functions has been coordinated and integrated in the Bureau of Employment Security.

FINANCING

It is recommended that the provisions of the Wagner-Peyser Act providing for State matching of Federal grants for the employment service be repealed and provison be made for financing the State employment services entirely from Federal funds. If Congress approves the recommendation that the proceeds of the Federal unemployment tax be automatically appropriated to the Federal unemployment account, it is recommended that grants be authorized from that account for State employment services, as well as from general funds of the Treasury to the extent necessary for proper and efficient administration.

FOREIGN FARM LABOR

While maintaining the provisions for an identifiable farm placement service as well as for a special employment service for veterans, the continuing need for recruitment of foreign farm labor, especially for harvesting seasonal crops, makes it desirable to give the Bureau express authority to obtain foreign labor at any time when it finds it necessary to supplement the domestic labor supply because of labor shortages.

EXTENSION OF SERVICE TO PUERTO RICO AND VIRGIN ISLANDS

It is also recommended that the Bureau of Employment Security be authorized to make grants for the cost of the establishment and maintenance of employment service in Puerto Rico and the Virgin Islands. At present, only a Veterans Placement Service for Puerto Rico is in operation. This service is federally operated, and it is recommended that the Puerto Rico and the Virgin Islands services be placed on the same basis as the State employment services.

Unemployment Insurance

In addition to these recommended changes in the statutory basis of the employment service program, the Social Security Administration regards improvements in the Federal legislation underlying the unemployment insurance program as vital.

COVERAGE

While unemployment averaged about 3.2 million during the first 6 months of 1949, less than two-thirds of this number, on the average, or 2.1 million, were protected by State and railroad unemployment insurance programs; an additional 500,000 were protected by the veterans' readjustment allowance program. Most of the remaining unemployed, unprotected against wage loss due to loss of work, were in employments not covered by the program, though some were new entrants to the labor market, and others had exhausted their benefit rights before they could get new jobs or return to their former employment. For example, of the nearly $12 million of wages lost due to unemployment experienced by 9,300 workers in Muskegon, Michigan, during the first 5 months of 1949, $4.8 million was incurred by 3,800 workers who had been in noncovered employment or had already exhausted their benefit rights; consequently none of their wage loss was compensated by unemployment insurance.

Extension of coverage to the areas of employment that present no substantial legal or administrative difficulties—namely, to employment by small firms, by nonprofit organizations, and by the Federal Government, and to certain agricultural employments—would increase coverage by over 7 million.

While the present Federal Unemployment Tax Act follows provisions adopted in 1935 and still covers only employers of eight or more workers in commerce and industry, 29 States have extended coverage of their program beyond this point, and 17 cover some firms with one worker; only six have eliminated both pay-roll and length-of-employment requirements and thus cover all employers of one worker at any time. All except five of the States which do not cover employers of one or more have legal provisions for covering all firms, regardless of size, which are covered by Federal law.

Extension of the coverage of the Federal act to employers of one or more workers is generally regarded as long overdue. The experience of the 17 States now covering small firms has clearly indicated that the original concern regarding administrative difficulties in collection of taxes and benefit payments has not been substantiated. Such extension of coverage would add about 3.5 million workers to those already protected by unemployment insurance.

Nonprofit groups.—Unemployment insurance protection should also be extended to employees of nonprofit institutions, except clergymen, and members of religious orders and part-time workers whose earnings do not exceed a nominal amount in a calendar quarter. Such action was also strongly recommended by the Senate Advisory Council on Social Security.

Printers and office workers in religious and university publishing houses, cooks and laundresses in hospitals, and office and custodial employees of schools perform the same jobs, have the same employer-worker relationships, and have the same need for unemployment insurance protection as other workers. Recognizing the fact that such workers are exposed to the risk of unemployment equally with those doing similar work in private employment, at least four States have covered part of the nonprofit group, and Hawaii covers substantially all such workers. It is apparent, however, that the move toward broadened State coverage of such workers has slackened recently in the absence of Federal action, and that further piecemeal coverage cannot be expected until the Federal act covers such employment.

Employer-employee relationship.—In its last report, the Social Security Administration recommended that Congress reconsider the action taken in passing Public Law 642, which substituted the narrow common-law control test as the basis for determining employer-employee relationships under the Federal Unemployment Tax Act for the broader test of employee status laid down in recent Supreme Court decisions. This recommendation was based, in part, on the anticipation that the States, most of which had employed a broader test, might narrow their existing definitions and interpretations. Unfortunately, State acton has borne out this apprehension, for three States already have restricted their coverage in this direction. The desirability of reconsideration is, therefore, all the more important, lest State coverage, formerly broader than the Federal act, be further restricted.

Maritime employment.—During July 1949, the Congress extended for a year the temporary program of reconversion unemployment benefits for seamen. With the termination, in June 1949, of shipping operated by the Maritime Commission, the need for this program will virtually have ceased by July 1950. However, if the Maritime Commission should cause seamen to be employed on this basis in the future, it would be preferable to have them protected by the State laws rather than by special Federal legislation.

As in 1948, the need continues for additional responsibility to be vested in the Federal Government to ensure that maritime workers covered by State laws are afforded equality of protection with other workers. No Federal agency has authority to administer those provisions of the Social Security Act which permit the States to tax maritime service but specify that maritime service should be treated like other employment subject to State laws, with respect to wage credits earned by employees. Nor has any administrative sanction been provided if this condition is not met. As in the preceding year, two States treat the wage credits of maritime workers differently from those of other workers, and two States apply more restrictive disqualification provisions to maritime workers. To carry out the express intent of Congress that maritime workers are not discriminated against, responsibility for assuring that this is accomplished by the States should be made a condition of Federal tax-offset credit and the granting of administrative funds.

Federal employment.—While Federal employees are commonly regarded as less subject to the risk of unemployment than private employees, turn-over among Federal workers is similar to that in many manufacturing industries whose need for unemployment insurance protection is not questioned. During the 12 months ended May 31, 1949, for example, the average monthly separation rate for Federal employees was 2.5 percent, the same as for workers manufacturing chemical and allied products, and only slightly below that of the paper manufacturing industry, which averaged 3.1 percent. Abolition of Federal agencies, completion of temporary jobs, and staff reductions due to appropriation cuts make the risk of unemployment a real threat to the security of Federal workers and their families. Consideration of these factors led the Senate Advisory Council on Social Security to recommend immediate extension of unemployment insurance protection to Federal employees. Similarly, young men released from military enlistments or Selective Service training face the possibility of unemployment and have no unemployment insurance protection.

The Social Security Administration, therefore, strongly recommends extension of unemployment insurance to former Federal workers and ex-servicemen under a system which would assure them of the same protection, under the law of the State in which they performed Federal service, as though their employment or military service were subject to State law, provided the State law meets minimum standards of adequacy. It also recommends that the Administrator be authorized to enter into agreements with State employment security agencies for the payment of benefits to such workers, with the Federal Government bearing the cost, or, failing such agreement, to authorize the Administrator to pay the benefits directly, on the basis of the appropriate State law.

Other groups.—While the Social Security Administration continues to regard it as desirable to delay extending unemployment insurance coverage to all agricultural workers until some experience becomes available under old-age and survivors insurance or through State experimentation, such exception should be restricted to bona fide agricultural labor. Under the present definition of agricultural labor in the Internal Revenue Code, more than 200,000 workers employed in packing and processing fruit and vegetable products are excluded. They are engaged in work essentially similar to those in fruit and vegetable canneries who have unemployment insurance and, therefore, they are discriminated against by the present exclusion. Several States, and California in particular, limit the exclusion of agricultural labor to service performed for the owner or tenant of a farm as an incident to ordinary farming operations; the California law thus covers over 40,000 workers engaged in activities excluded by Federal legislation.

The Social Security Administration recommends extension of coverage to employment in packing, sorting, or processing agricultural or horticultural products except when carried on as incidental to ordinary farming operations. The Senate Advisory Council recommended, as an initial step toward complete coverage of agricultural labor, that coverage be extended at this time to farmers employing at least five workers in packing and processing work in each of 4 weeks during the year. Such services would be covered without exception when performed off the farm where the products are grown. This desirable first step would extend coverage to large-scale activities which are clearly of a commercial and industrial character. In addition, coverage is recommended of services in the production or harvesting of maple sirup, mushrooms, or naval stores and in hatching of poultry; in cotton ginning; or labor in connection with irrigation. Extension of coverage to these groups of fringe agricultural workers would affect 400,000 workers.

In accordance with a similar recommendation regarding the employment service, it is recommended that the provisions of the Federal Unemployment Tax Act be extended to Puerto Rico; Puerto Rico should be defined as a State for the purpose of grants for the administration of approved unemployment insurance systems.

BENEFITS

During the past 12 years, the benefits provided unemployed workers under State unemployment insurance laws have been liberalized considerably, as noted above. These higher potential rights, however, have been accompanied by increases in requirements which restrict the higher benefits to a minority of workers with regular employment at high wages, and sharply limit workers' protection during periods of increasing unemployment. State laws which require annual earnings of $2,950 and even $3,400 in order to obtain maximum benefits in effect deny their fullest protection to workers whose need is greatest.

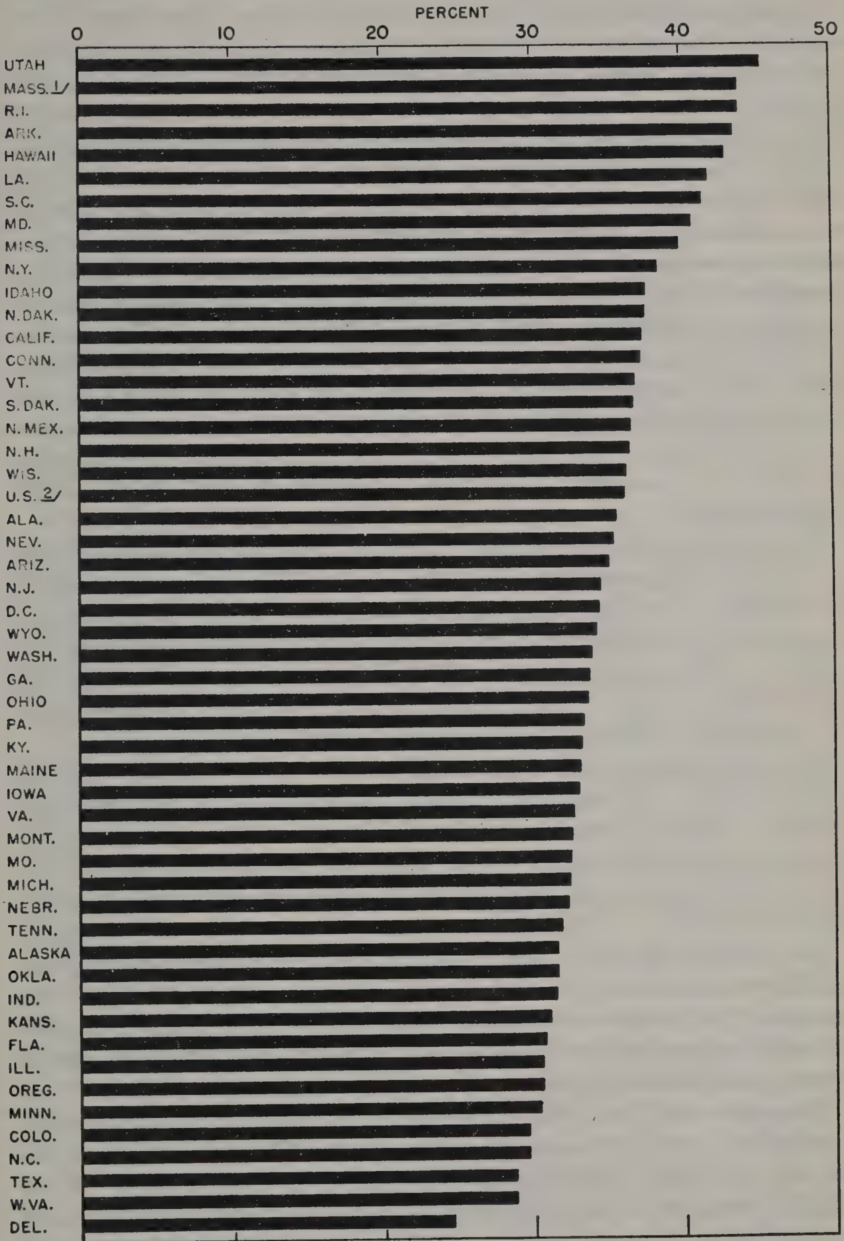
Rising unemployment has focused attention upon other inadequacies of current benefits. Benefits have barely kept pace with the rise in prices and the standard of living. Few workers who depend on wages and salaries for a living are able to put funds aside to carry them over even short periods of unemployment, after taking care of nondeferrable expenses. According to recent Federal Reserve Board data, of the families with 1948 incomes between $1,000 and $3,000 (representing two-fifths of all families in that year), 38 percent had no liquid assets in early 1949. The vital part that unemployment insurance has been playing in the budgets of millions of workers since the fall of 1948 has highlighted the hardships suffered by unemployed workers, whose benefits average only about a third of their former wages. As a consequence, the Social Security Administration recommends that the Social Security Act place a floor under weekly benefits and their duration.

Qualifying requirements.—Qualifying requirements today have risen in some States to the point of requiring a worker to earn as much as $600 in the base year, to be eligible for any benefits. These requirements exclude many low-wage workers with regular attachment to the labor market who may have experienced so much recent unemployment as to be denied protection, just at the time when they most need it. This situation should be remedied by Federal standards that States may not require qualifying earnings by a worker of more than 30 times his weekly benefit amount, or alternatively not more than one and one-half times his highest quarterly earnings, or finally, earnings in not more than 20 weeks of the base period. Since all but 13 States have no higher qualifying requirements than these, few State laws would have to be changed in order to meet the suggested standards.

Weekly benefit amount.—While the $19.91 average weekly benefit in 1949 was almost twice as high as in 1940, the average weekly amount in January–March 1949 was worth only $11.78 in 1935–39 dollars. In addition, while benefits have increased by $9.35 since

Chart 15.—UNEMPLOYMENT BENEFITS IN RELATION TO WAGES

Ratio (percent) of average weekly benefit to average weekly wage in covered employment, January–March 1949



[1] Massachusetts ratio based on July–September 1948 data.
[2] Includes Alaska and Hawaii.

1940, the average wages on which these benefits are based have gone up by more than $25. As a result, average benefits, which represented 37 percent of average wages in October–December 1940, dropped to 33.2 percent in October–December 1948. In May 1949, when average weekly benefits of $20.08 were exactly one-third of average covered wages for the Nation as a whole, average benefits were less than 30 percent of average wages in 18 States, and over 40 percent in only 4 States. The higher-than-average benefits for workers with dependents paid in five States represented greater proportions of wages which are necessary to bridge the higher proportion of earnings spent on nondeferrable expenses in larger families. Higher maximums than are now in effect are especially important to prevent continued inequities if, as recommended elsewhere, the taxable wage base is raised from $3,000 to $4,800 per year. Since average weekly benefits have fallen far below the 50 percent of average weekly wages which was accepted as desirable at the beginning of the program, the Social Security Administration recommends minimum benefit standards of State laws, designed to assure that such benefits are adequate, in relation to workers' accustomed earnings, to meet their nondeferrable needs.

This objective can be achieved if weekly benefits for a worker without dependents are computed as 50 percent of his weekly wages, up to a maximum of at least $30, and additional amounts for up to three dependents, in the form of a percentage of the basic weekly benefit amount, with a maximum designed to ensure that benefits are less than take-home pay. The maximum weekly amount is conservative in terms of the desirable 50-percent-of-earnings standard.

By graduating the allowances for workers with different numbers of dependents, the benefits are fitted to the needs of different-sized families. The proposed standard would require allowances only for the first three dependents in the family, but the five States which now pay allowances for more than three dependents could continue to do so.

No standard should require benefits for three or more dependents as high as those now provided in a few State laws. In Michigan, for example, the maximum benefit payable may be as high as 98 percent of weekly wages, and in Massachusetts, 100 percent. These States, of course, could continue to pay these higher benefits.

Duration.—In June 1949, 43 States, with 73 percent of the covered population, provided a maximum benefit duration of 20 to 26 weeks. In only 15 States, however, do these higher maximums apply to all eligible workers; in the others, an unemployed worker's duration of benefits depends upon the amount of his prior earnings or the length of his prior employment. One of every 5 workers unemployed during the week ending June 11, 1949, had been out of work for 15 weeks or longer—three times as many as in the last months of 1948. The need for more adequate duration is shown by the increasing rate at which workers have been exhausting their benefit rights. About 30 percent of all beneficiaries in fiscal year 1949 exhausted their benefit rights before they were reemployed, and more than 40 percent of the beneficiaries in 19 States exhausted benefits during benefit years which ended during April–June 1949. If the program is designed to provide security during involuntary unemployment, duration of benefits must be long enough to meet the requirements of those who are able and willing to work, and seeking employment.

The Social Security Administration therefore recommends, as a minimum benefit standard, that all insured individuals be entitled to at least 26 weeks of benefits if their unemployment extends for so long a period. While only New York's benefits are at this level, all States are in a financial position to provide such duration, if the Federal reinsurance plan recommended elsewhere is adopted.

DISQUALIFICATIONS

State disqualification provisions have seriously affected the adequacy of the protection of the program, for the liberalized benefit provisions are of no avail to workers who are disqualified from receiving any benefits. As the Senate Advisory Council pointed out, present disqualification provisions deny benefits to workers who are genuinely unemployed through no fault of their own and are ready, willing, and able to accept suitable work.

In 1937, only seven States provided for outright cancellation or reduction of a worker's benefit rights for the three principal disqualifications. Today, however, all but 13 States cancel or reduce benefit rights for these or other special disqualifying causes. Such provisions depart sharply from the concept that disqualifications should prevent payment of benefits to a worker for periods when his unemployment is due to his own acts, for they penalize him by complete loss of unemployment insurance protection. This is true, as well, for provisions which postpone benefits for the entire duration of a worker's unemployment following his disqualifying act, or until he has been reemployed for a given number of weeks or has earned a given amount of wages. The latter provisions seriously undermine the program's protection in periods such as the present, when job opportunities are scarce in many localities.

With respect to voluntary quitting, 10 States disqualify for the duration of the unemployment, 32 States for more than 4 weeks, and nine for 4 weeks or less; 17 States cancel or reduce the benefit rights of disqualified claimants. In 18 States, good cause is restricted to good cause attributable to the employment or connected with the work, thus excluding good personal reasons for quitting as good cause. For example, a man who has to quit his job because housing difficulties force him to move to another location or another city would be disqualified from benefits.

Equally undesirable is the increasing tendency to deny benefits to workers who are forced to leave their work because of family obligations. This is illustrated in the disqualification of a woman who left her job because her husband, a disabled veteran, had to move to a more temperate climate for health reasons. The disqualification was imposed because her quitting was found to be due to marital obligations; had she left because of her own health, benefits could have been paid. Yet, failure to leave because of the pressure of the disqualification provision would have conflicted with the legal, moral, and religious obligations which support family ties.

The increasing trend toward requiring all workers to make an independent search for work, in addition to registration for work at the local employment office, is especially unrealistic in many localities where job opportunities are unfavorable. The application of this requirement, based upon legal provisions or interpretations in 45 States, has resulted in requiring all claimants in some States or localities to give evidence of "actively seeking work," without regard for labor-market conditions or job opportunities available through the employment service. During British experience with a similar provision, employers were annoyed by personal visits from applicants who requested some written proof of their applications for work; this led to repeal of the requirement. The employment service can and should direct claimants to job opportunities which may not be available through the employment office itself, but the claimant's own efforts should be related to what the local office can do for him, which will vary with his age and occupation, with labor-market conditions, and other factors. Uncontrolled application of this provision may have serious effects upon the relations between employers and the employment service, where it is used as a major recruitment source; in addition, by requiring skilled workers to seek unskilled, low-paid work, it may tend to lower existing standards of wages and working conditions. Since most people who work in order to make a living seek jobs when unemployed because of economic necessity as well as social and psychological pressures, the need for such a requirement appears highly questionable.

The Social Security Administration recommends that the States reexamine these provisions to determine the necessity of such requirements in the light of their effects upon the labor market and the labor standards which the program was designed to protect.

The Social Security Administration also recommends with respect to voluntary leaving, discharge due to misconduct, and refusal to accept suitable work, that a maximum disqualification period, such as 4 or 6 weeks' postponement of benefits in addition to the waiting period, be made a standard for approval of State laws; a longer period might well be imposed in cases of willful misrepresentation in order to obtain benefits. A 4-week period would suffice to assure that benefits are not paid for unemployment due to a worker's act in refusing or leaving suitable work without good cause or in being discharged for misconduct. It can reasonably be assumed that a worker's unemployment beyond that period is due, not to the reasons for his separation from or refusal of work, but to conditions of the labor market. If he continues to be unemployed, no social purpose is served by reducing his benefits or postponing his payments any longer. In our free-enterprise economy, these standards would help to assure that the program protects the freedom of the individual to move from job to job when doing so would improve his standard of living.

In addition, it is recommended that, as a condition of approval of State laws, the present labor-dispute disqualification provisions in the State laws be modified to exclude lock-outs from their application. The laws of seven States exclude from disqualification unemployment due to lock-outs. Since lock-outs occur when employers attempt to enforce changes in wages or working conditions by cutting off work opportunities from their employees, workers should not be placed under pressure of losing their benefit rights for refusing to continue to work under changed conditions.

FINANCING MORE ADEQUATE BENEFITS

The rise in the volume of unemployment and the consequent increase in benefit expenditures during the fiscal year have focused renewed interest on the financing of the program. While benefits in the fiscal year 1948 amounted to only three-fourths of collections, in 1949 benefits exceeded collections by 20 percent. Recent experience has emphasized the variation in financial experience of the individual State funds and raised questions as to the adequacy of the economic structure of individual States as a base for financing unemployment insurance without levying taxes at considerably higher rates than neighboring States find necessary.

When the program was established, a basic State contribution rate of 2.7 percent was thought necessary to finance benefit requirements over a complete business cycle. Substantial reserves now exist to the credit of all States despite the continued decline in State-wide average contribution rates since 1941 through the operation of experience rating, and the increase in weekly benefit amounts and duration of benefits. Fund balances, which stood at less than $2 billion on December 31, 1940, had risen to $7.39 billion by June 30, 1948, and declined to $7.31 billion by June 30, 1949.

State experience has indicated that unemployment insurance is less costly than was believed when the program was initiated. Under a uniform Nation-wide unemployment insurance system, with deposit of all contributions in a single fund, the system could be adequately financed with lower employer contribution rates than would be necessary if separate reserve funds are maintained for each State under a continuation of the present Federal-State system. Not only are reserves of vastly differing amounts accumulated in individual State funds but, in many cases, the size of these reserves bears no logical relation to the financial needs of the individual State systems.

To assure that State financing arrangements will not require unduly increased contribution rates just at the time when benefit outlays increase, as they do at present, the Social Security Administration recommends permanent and adequate provision for making Federal funds available to the States when their funds run low. The existing excess of collections under the Federal unemployment tax over expenditures for State administration, which has now accumulated to more than a billion dollars, should form the basis for appropriation to a reinsurance fund, from which States could draw funds when they are needed. To such initial amounts as are appropriated would be added each year's excess of collections under the Federal Unemployment Tax Act over grants for State administrative costs. Such funds should be made available as an outright grant, rather than on a loan basis, under conditions which will protect the interest of the Federal Government.

The limited loan fund provisions in the present Social Security Act, which provide advances to States in financial difficulties, are inadequate in that they merely defer the date when States must levy higher contributions to meet benefit liabilities. High-cost States have hesitated to provide adequate benefit for fear that their funds might become bankrupt when benefit expenditures began to mount.

The need for such reinsurance is further indicated by the wide variation in unemployment insurance costs from State to State. California, Michigan, Massachusetts, and Rhode Island, for example, have high benefit costs in relation to pay rolls even in periods of high employment, while Delaware, the District of Columbia, Hawaii, and Wisconsin have very low rates of benefit expenditures. These cost differences would be greatly accentuated if the country should experience an economic depression. During the past year, benefit expenditures ranged from as much as 4.7 percent of taxable wages in Rhode Island to as little as 0.3 percent in Texas.

As a means of assuring greater equity between employers in the application of the tax, the amount of wages subject to taxes should be increased from $3,000 to $4,800 per year; in addition, wages should be defined so as to include gratuities from other than the worker's employer.

Since 1939, when the wage limit was set at $3,000, wages have increased substantially; while only 3 percent of the covered workers earned $3,000 or over in 1939, in 1947 18 percent did so. Continuation of the $3,000 wage base, as wages increase, means that a progressively smaller portion of the pay roll is taxable and a substantial loss of income to the State results. While the Senate Advisory Council recommended that the wage base be increased to $4,200, it recognized this figure as conservative, pointing out that a $4,800 limitation would take fuller account of increased wages and prices.

The proposed change with respect to tips is designed to remove inequities faced by the workers who get part or all of their compensation in this form; in 1949 tips amounted to about $500 million. Since the benefit rights of many of these workers are now reduced by about 40 percent because tips are omitted, and 19 States are collecting contributions on tips, there is good reason to remedy this inequity.

Financing Administrative Costs

In enacting the Social Security Act, Congress recognized the national character of the problem of unemployment and the need for active Federal participation in measures for alleviating its hardships. Experience with inadequate and uneven administration of State workmen's compensation laws and other State labor legislation, including public employment services, led Congress to provide for 100-percent Federal financing of State administration of unemployment insurance programs. This provision was to assure that all States—large or small, agricultural or industrial, rich or poor—would have the funds needed to comply with Federal legislation and that the national interest in the program would be preserved. Although the process of granting funds to the States has not always functioned to the complete satisfaction of everyone concerned, it is generally agreed that the basis for allocating available funds among the States requires no radical changes. The difficulties which have arisen have centered primarily around the adequacy of the funds available for programs which are extremely sensitive to changes in the Nation's economic climate and whose costs have risen sharply since the end of the war.

Revenues from the Federal unemployment tax of 0.3 percent of pay rolls designed to cover administrative costs have been greater than the amounts appropriated for this purpose. Since 1938, in fact, State administrative costs have amounted to only 0.2 percent of pay rolls and the accumulated balance exceeded $1 billion on June 30, 1949. Under present legislation, the proceeds of the tax go into the general funds of the Treasury and the appropriations for meeting administrative costs come from the same source. This procedure differs from the method established by Congress for financing administrative costs of old-age and survivors insurance and of the programs for railroad retirement and railroad unemployment and disability insurance. In old-age and survivors insurance, for example, all the proceeds of the taxes are automatically appropriated to the trust fund, and all administrative costs are met from this fund.

To make administrative funds available on a more effective basis in the future, all proceeds of the 0.3-percent Federal tax should be earmarked for employment security financing—and used, as needed, for both administrative and benefit purposes. While Congress gave some recognition in 1944 to the desirability of earmarking the proceeds of the tax for employment security purposes, the George Act was designed primarily to make the excess of tax collections over administrative expenses available as loans to States having difficulty in financing their benefit costs. This present proposal would make such proceeds available automatically each year for administrative financing, with accumulation of the excess in the reinsurance fund. Such use of the excess for buttressing the program's financial structure would seem more provident than permitting its use for administrative expenses beyond the total determined by Congress to be necessary for this purpose.

Such automatic appropriation of the proceeds of the tax would assure their use entirely for employment security purposes and thereby would avoid the present criticism of the existing system that the Federal Government is making a profit on this tax. It would give Congress a benchmark for appropriating operating funds. Appropriations for administrative costs and for the Federal reinsurance fund would not enter into the Federal budget. In addition, it would assure building up in good times the reinsurance fund available to States in financial distress; otherwise, Congress may then be faced with a need to appropriate special funds for this purpose when tax income is declining and the Federal budget is under heavy pressure.

CONTINGENCY APPROPRIATION

Because the unemployment insurance program is extremely dynamic, responding quickly to changes in economic conditions which are difficult to forecast, 12 deficiency or supplemental appropriations have had to be requested since 1938. This problem was particularly acute during the fiscal year 1949. Because of State salary increases, the appropriation was inadequate by the time it was made, so that many State functions had to be eliminated or reduced. In addition, unemployment began so rapid a rise in October that by June initial claims had increased by 110 percent and continued claims by 161 percent. A request for about $5 million was submitted in November 1948, but by the time congressional action was completed, the need for additional funds had risen so greatly that the request had been increased to $14 million, including $4 million for contingency purposes; this amount was acted upon favorably and made available on May 24, 1949. By that time, however, the States had been struggling for months with inadequate funds to meet their increased load. If a contingency fund of the kind made available for the 1950 fiscal year had been available early in 1949, the Federal Security Agency would have begun to make additional grants to the States to meet the rise in unemployment as soon as it occurred, the long delays in processing of claims and payments would have been avoided, and advance planning and more effective use of manpower resources would have been possible. It is therefore recommended that the Social Security Act be amended to provide a contingency amount in the annual appropriation which would be available in the event of unforeseen changes. While a contingency amount equal to at least 10 percent of the appropriation might ordinarily be adequate to meet the requirements of changing conditions, past experience and the likelihood of continuing economic adjustments during the next few years might well indicate the desirability of a higher figure.

LIMITATION ON GRANTS

The present authorized limit on appropriations for administrative grants to State employment security agencies, under the Social Security Act, is $80 million. So long as grants were limited to unemployment compensation, this amount has been adequate, but if the recommended integration of the unemployment insurance and employment service legislation is approved, this authorization becomes totally inadequate. For example, the 1949 appropriations for the two functions were $144 million. Instead of merely raising this figure, it would be greatly preferable to remove the limitation, so that the Congress would not be handicapped by a sudden rise in unemployment which made the limitation inadequate. If the recommendation is accepted that all proceeds from the unemployment tax be appropriated to the Federal unemployment account, all funds in the account would be available for any use under the program for which they were required. Congress would still limit its appropriations to the actual amounts needed, so that its self-limitation to the authorized amount available for appropriation would be superfluous.

REPEAL OF WAGNER-PEYSER MATCHING PROVISION

The provisions of the Wagner-Peyser Act for financing State employment service administration through Federal matching of State funds have been suspended since 1942, as pointed out above, and the Social Security Administration recommends their repeal. They should be replaced by providing for 100-percent Federal grants on a permanent basis, as a part of the needed modification of the statutory basis of the United States Employment Service to bring about consistency with the legal basis for unemployment insurance.

Public Assistance

Progress toward mature public welfare programs is slow for many reasons but it is continuous and measurable year by year. Among the factors that affect the achievement of adequate State programs administered with equity to applicants and recipients are variable economic and social conditions, the character and scope of Federal and State public welfare and related legislation, and necessity for establishing constantly better program planning and administration based on actual day-to-day experience in State operations.

Certain goals have been accepted in principle as the mark of maturity in public welfare administration and their achievement has been the aim of State agencies and the Bureau since the inception of the programs. In recognition of financial, staffing, and other limitations, each year the Bureau and the States identify for special emphasis certain program objectives aimed at elimination of specific conditions that hinder the realization of well-developed programs. As in the preceding year, program objectives for the fiscal year 1949 continued to be directed toward achieving more equity and adequacy in the administration of assistance.

Legislation effective within the year and legislative consideration were important for future development of the programs.

Public Law 642 (80th Congress), effective October 1, 1948, amended the public assistance titles of the Social Security Act by increasing maximums on assistance payments in which the Federal Government can participate financially and by increasing the proportion of the Federal share in assistance payments. The maximums in old-age assistance and aid to the blind were increased from $45 to $50 a month, and in aid to dependent children from $24 a month for the first dependent child in the home and $15 for each additional child to $27 for the first and $18 for each other child.

In old-age assistance and aid to the blind, the Federal share of assistance payments was increased from two-thirds of the first $15 of the average payment per recipient to three-fourths of the first $20 of the average payment. In aid to dependent children, the Federal share was increased from two-thirds of the first $9 of the average payment per child, to three-fourths of the first $12 of the average payment per child. The Federal share of assistance payments in excess of the amounts specified in each program up to the maximums as increased remained at 50 percent.

On August 5, 1948, the Advisory Council on Social Security appointed by the Senate Finance Committee in 1947 to advise the Committee on all aspects of social security, submitted its report on public assistance. The Council reported its belief that the basic features of the present system of grants-in-aid for public assistance were sound, but that under present arrangements public assistance has gaps and inequities.

The Commission on Organization of the Executive Branch of the Government reported its recommendations to Congress in March 1949 in the field of social security. Congress also released for publication on March 25, 1949, a report on Federal-State relations prepared by the Council of State Governments acting as a task force of the Commission. This report discusses Federal-State relations as revealed in grant-in-aid programs, including public assistance.

At the request of the President, the Bureau provided information used in drafting his public welfare recommendations which were introduced in Congress as H. R. 2892. Considerable time of staff was devoted to preparing materials requested by the Ways and Means Committee during hearings on this and other public welfare bills.

During the fiscal year, 43 State legislatures considered legislation relating to public assistance. To assist State agencies in preparing for the 1949 State legislative sessions, the Bureau published *Public Assistance Goals—1949*, incorporating recommendations on State legislation. By the end of the fiscal year, nearly 200 laws pertinent to the public assistance programs had been enacted. The general trend of legislation was in the direction of liberalizing provisions of State laws, removing eligibility restrictions and increasing assistance payments.

PROGRAM DEVELOPMENTS

Recipients, Payments, and Financing in 1948–49

The number of States receiving Federal grants for the three special types of assistance remained unchanged during the fiscal year. Grants for old-age assistance were made to each of the 51 jurisdictions which come under the Social Security Act; grants for aid to dependent children to all but Nevada; and for aid to the blind, to 45 States, Hawaii, and the District of Columbia. Missouri, Nevada, and Pennsylvania provide assistance to blind persons without Federal participation. Alaska does not have a special program for the blind. Some general assistance financed entirely from State and local funds was available in all States for needy persons not included in the Federal grant-in-aid programs.

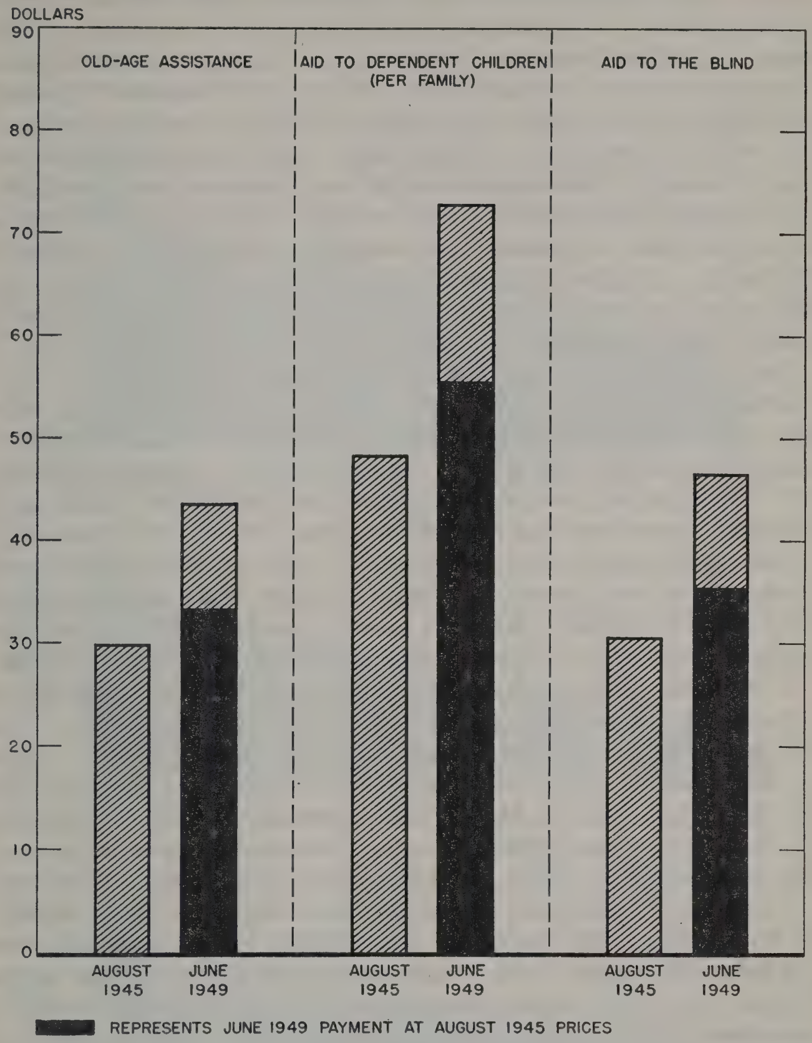
Amendments to the Social Security Act effective in October 1948 account in part for increases that occurred during the year in both assistance payments and the number of persons aided under programs for needy aged and dependent children. From June 1946, when a previous amendment to the act helped States to increase payments, to June 1948, the cost of living, as reflected by the consumer's price index of the Bureau of Labor Statistics, rose 29 percent. In States that continued to spend as much per recipient from State and local funds as they did before the amendments went into effect, the additional Federal funds made it possible to raise average payments $5 per recipient of old-age assistance and aid to the blind and $3 per child receiving aid to dependent children.

Most States increased payments in or after October, although increases frequently were not sufficient to close the gap between living costs and assistance payments. For the country as a whole, the average monthly payment for old-age assistance and aid to the blind was $5 higher in June 1949 than in the previous June, and the average per child in aid to dependent children was about $3 higher. Individual States made increases in varying amounts. A few States used part of the additional funds to add to the rolls persons eligible for, but not receiving, assistance. If additional Federal funds had not become available, some States would have found it necessary to restrict the scope of the program or reduce payments.

General assistance and, to some extent, aid to dependent children reflected changes in economic conditions and the increase in unemployment during the fiscal year. The upward trend in the number of aged recipients in most States was probably due chiefly to increases in the aged population, legislation liberalizing conditions of eligibility or affecting standards of assistance in some States, and increased funds to meet need more adequately.

During June 1949, 5.1 million persons received public assistance. Of these, 4.1 million were aged or blind or dependent children aided under the Social Security Act. These 5.1 million do not include mothers or relatives caring for dependent children or wives or other persons supported in part by payments made to other members of the family for old-age assistance or aid to the blind. Total expenditures for assistance payments during the fiscal year, including pay-

Chart 16.—CHANGES IN AVERAGE PUBLIC ASSISTANCE PAYMENTS



ments not under the Social Security Act, were about $2.0 billion or 23 percent more than in 1947–48. Of this amount, $889 million was from Federal funds and $1.1 billion from State and local funds.

OLD-AGE ASSISTANCE

In June 1949, more than 2.6 million persons received old-age assistance, an increase of about 11 percent over the preceding June. An increase of more than 20 percent in four States—California, Louisiana, Mississippi, and North Carolina—accounts for more than half the net rise for the country as a whole. California and Louisiana substantially liberalized eligibility requirements and increased State appropriations. In Louisiana, where more funds were made available through additional taxation, the number of recipients increased more than 100 percent; in California, 30 percent. Increased Federal participation in assistance costs during the last 9 months of the fiscal year enabled some States, largely those with least resources, to aid needy persons for whom assistance had not previously been available; in Mississippi the number of aged recipients rose 42 percent and in North Carolina, 23 percent. In 10 additional States the increase in the number of aged recipients was relatively greater than in the country as a whole. In 19 States, increases of less than 5 percent in general reflect the increase in the number of aged in each State.

For every 1,000 persons in the country aged 65 or more, 231 were receiving assistance in June 1949. There is a rather clear-cut relation between the per capita income of a State and the proportion of its aged persons who are needy. In eight States, most of which rank low in per capita income, more than 400 persons per 1,000 aged population were receiving aid. Five States, four of which rank high in per capita income, had a rate below 100. As additional Federal funds, and in many cases more nearly adequate State and local funds have become available, recipient rates in most States with low per capita incomes have increased faster than in the country as a whole.

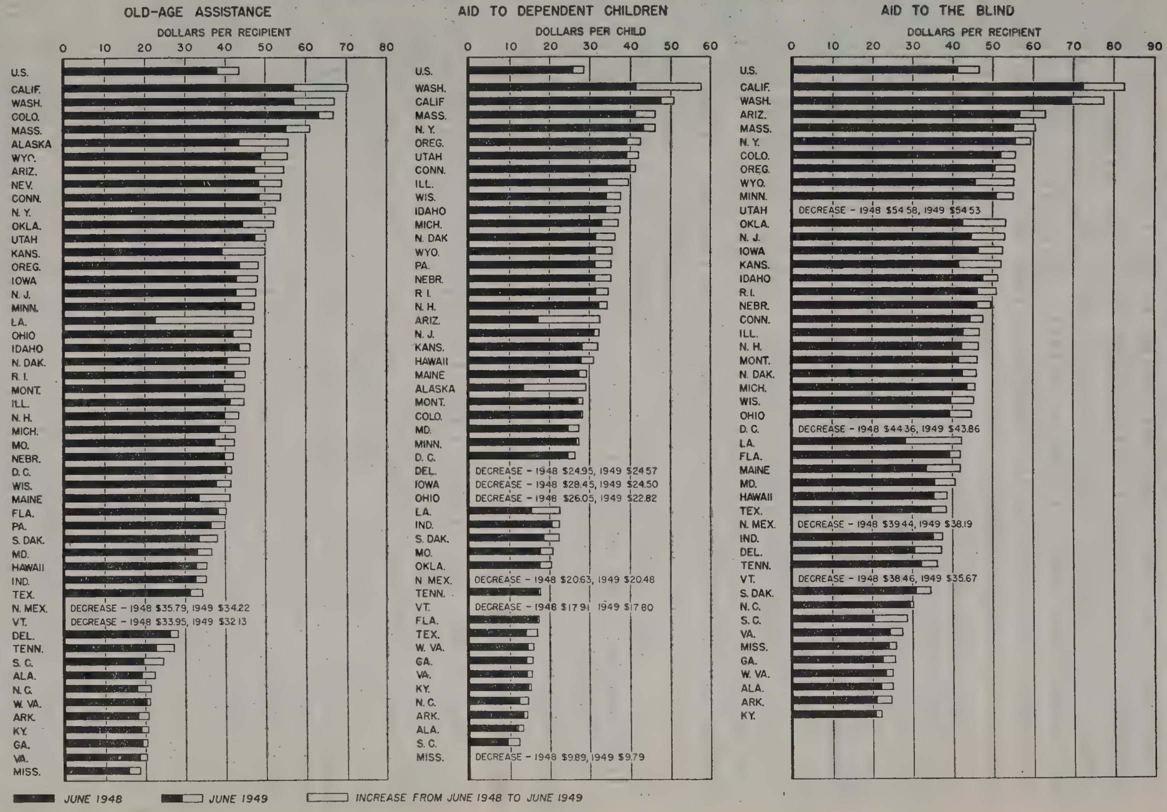
From June 1948 to June 1949, average payments increased $5 or more in 15 States and from $4 to $4.99 in eight States. Some of the States with smaller increases added relatively large numbers of cases to the assistance rolls. Only seven States increased payments by less than $2 and in two States it was necessary to reduce payments by June, wiping out earlier increases. Although recipients in most States benefited by higher payments, the smaller increases occurred in some States making the lowest payments during the previous year. In June 1949 average payments exceeded $50 in 13 States and were less than $25 in eight of the 12 States which rank lowest in per capita income. Four low-income States, however, had sufficient funds to add substantial numbers of eligible persons to the assistance rolls and to increase monthly payments more than $3.

In December 1948, some payments in excess of the $50 in which the Federal Government participates were made in 32 States.

AID TO DEPENDENT CHILDREN

Nearly 1.4 million children in about 537,000 families were receiving aid to dependent children in June 1949. For the country as a whole this represents an increase of almost a fifth. In 10 States the number of children aided rose by more than 30 percent and in an additional 10 States from 20 to 30 percent. Most of the large increases occurred

Chart 17.—STATE DIFFERENCES IN AVERAGE PUBLIC ASSISTANCE PAYMENT



in States with least resources, some of which had not previously been able to assist all families eligible for aid to dependent children.

Decreases in opportunities for employment during the latter half of the fiscal year doubtless contributed to the need for this type of assistance. From June to December 1948, the average monthly increase in the number of families aided was 4,300, while from December 1948 to June 1949, it exceeded 10,000. A relatively large number of families were added to the assistance rolls in some of the northeastern and western States in which many industries laid off workers.

In June 1949, aid to dependent children was helping 29 children per 1,000 of the total population under 18 years of age. In three States—Florida, Louisiana, and Oklahoma—the rate was more than twice this figure and in each of four additional States—Kentucky, Missouri, New Mexico, and West Virginia—more than 40 children per 1,000 received assistance.

Nineteen States were able to increase average payments by $3 or more per child and an additional 11 States, by at least $2. In Alaska, Arizona, and Washington average payments rose more than $15 and in Louisiana, more than $7. In six States, payments were decreased during the year, with substantial reductions in Iowa and Ohio.

In December 1948, all but 14 States made some payments in excess of the Federal maximums and 21 States made such payments to more than four out of five families.

AID TO THE BLIND

In June 1949, more than 71,000 blind persons received aid with Federal participation. In Missouri, Nevada, and Pennsylvania, an additional 18,000 blind persons were assisted under programs financed entirely from State funds. The number of persons aided under the Social Security Act rose 8 percent from June 1948 to June 1949. In 8 States, there were small decreases in the numbers aided, and in Kansas and Wyoming case loads were reduced by 11 and 20 percent.

Average payments rose more than $5 in 17 States and from $4.00 to $4.99 in four other States. In four States, payments were smaller in June 1949 than in the previous June. Payments in excess of the Federal maximum were made in 30 States in December 1948.

GENERAL ASSISTANCE

The rise in general assistance rolls during the winter of 1948–49 was the sharpest since the reappearance of seasonal fluctuations at the close of the war. An unusually severe winter in some sections of the country and substantial unemployment in some areas contributed to the increase. General assistance is not available to employable persons in some States and localities and the program in such areas responds slowly or indirectly to need for assistance arising from loss of jobs or exhausting unemployment benefits. Nevertheless, for the country as a whole, the number of cases receiving this type of assistance was 26 percent above that in the preceding June.

The average payment for general assistance rose from $43.20 to $47.92. Average payments in 11 States ranged from $50 to more than $70 in June 1949. In eight States general assistance cases received less than $20, on the average.

FINANCING

During the fiscal year 1949, Federal, State, and local governments spent $2.1 billion for assistance payments and administration under public programs including old-age assistance, aid to dependent children, aid to the blind, and general assistance. The special types of public assistance, financed from Federal, State, and local funds, took $1.8 billion of this amount; general assistance, paid entirely from non-Federal sources, $266 million. In States with plans approved under the Social Security Act, Federal funds paid 55 percent of the total cost of old-age assistance for the year, 43 percent of aid to dependent children, and 52 percent of aid to the blind.

In the first quarter, Federal funds represented 51 percent of assistance payments for the aged, 38 percent for aid to dependent children, and 48 percent for aid to the blind. As a result of the increase in Federal participation, the Federal share for October–December rose to 57 percent in old-age assistance, 44 percent in aid to dependent children, and 54 percent in aid to the blind.

The Federal share of assistance payments for the fiscal year ranged among the States from 37 to 73 percent for old-age assistance, from 26 to 73 percent for aid to dependent children, and from 34 to 71 percent for aid to the blind. The Federal share was more than 70 percent in eight States for old-age assistance, three States for aid to dependent children, and one State for aid to the blind. Mississippi received about three-fourths of its assistance expenditures for old-age assistance and aid to dependent children from Federal funds because its level of payments was low—on the average below $20 per recipient per month for old-age assistance and less than $10 per child for aid to dependent children. On the other hand, several States with relatively high assistance payments received less than 50 percent from the Federal Government—6 States for old-age assistance, and 8 for aid to the blind. In aid to dependent children, for which the Federal maximums limiting amounts subject to sharing are less liberal than for the other two programs, Federal funds represented less than 50 percent in 30 States.

The Social Security Administration certified grants for assistance and administration totaling $927.9 million in the fiscal year. Grants for old-age assistance amounted to $718.0 million; for aid to dependent children, $189.4 million; and for aid to the blind, $20.5 million.

Equity and Adequacy in Providing Assistance

In February 1949 the Bureau issued a statement of principles for the use of State agencies in preparing plan provisions relating to determination of eligibility with respect to need and amount of assistance. Application of these principles is of primary significance in furthering the purpose of the programs and effective administration because they are aimed at assuring that all persons who believe themselves eligible for public assistance shall have their eligibility determined by the same standards wherever they live within the State.

Administration of the need provisions of the Federal act and of State laws is probably the most difficult problem that State agencies face. Difficulty in evaluating resources of individuals (including the availability of income from relatives), lack of uniform and current assessments on property, and shortage of funds to meet even minimum need are some of the complicating factors. Adequacy of State policies relating to determination of need has implications for almost all other aspects of administration, and their character has a drastic effect on the degree of equity achieved in total administration.

Participation of States in the thinking and planning underlying formulation of the principles resulted in testing new methods within certain States. As a consequence, before the statement was issued, considerable improvement was noted in the provisions of State plans relating to the determination of need.

Progress to date has been mostly in the area of establishing a State standard of minimum economic security for needy persons. For example, as of September 30, 1948, 30 State agencies had identified in their State plans the basic consumption items to be considered throughout the State as requirements of all recipients of public assistance under the Federal-State programs. Work is continuing in the States both in this area and in identifying the specified circumstances in which additional consumption items, such as medical care, will be included as requirements of needy persons. States are directing further attention to determining the money value in various parts of the State of all consumption items which, added together, represent the State standard of economic security for needy persons. The responsibility for establishing such a standard through these various steps is basic and therefore preliminary to adoption of objective and definitive plan provisions relating to consideration of income and resources.

In relation to consideration of resources, temporary war legislation enacted in 1943 and 1945 lapsed on June 30, 1949. These laws permitted the States to disregard income from agricultural labor and civilian nursing service in determining the need of certain persons receiving old-age assistance. The Bureau believes the termination of this legislation desirable because such provisions are inconsistent with the need provisions of permanent Federal and State laws and operate unfairly against needy persons who cannot work.

During 1949, State agencies made substantial progress in improving plan provisions relating to applications for assistance. It is too soon to see marked improvement in practice as a result of revised State plans. Among the cases read in the last administrative review, only one-third of the applicants who were found eligible received a payment within a month of the date they first requested assistance. Several factors combine to hinder prompt payments to needy people.

Usual business procedures for paying accounts due are too rigid for a program that intends to meet constantly fluctuating human needs, and the Bureau has recommended to the States that they adopt and carry out fiscal policies and procedures that are flexible enough to permit issuance of assistance payments promptly. Failure to establish definite policies for determining eligibility and to make staff responsible for carrying them out in practice also results in inequities in the treatment of people and is a cause of delay in making payments. Local public welfare boards, for example, sometimes do not devote themselves to the development of policies and interpretation of the program to the community. Instead, they assume staff functions, making decisions with respect to eligibility and amount of payment on a case-by-case basis. Since they usually meet infrequently, delay inevitably occurs. Routine and unproductive work in exploring eligibility likewise is a cause of delay in acting on applications. Experience of some agencies indicates that eligibility for assistance can be established adequately on an efficient and businesslike basis by eliminating the consideration of irrelevant facts from the investigation process and by using as corroborative data the most easily available sources of information.

Most State agencies establish continuing eligibility for all recipients at regular intervals. Maintenance of continuing eligibility would be simplified by improvement of plan provisions relating to determination of need and by adopting more efficient methods of exploring eligibility. The latest administrative review by the Bureau shows that, in most of the nine States that had difficulty in keeping up to date on reviews of eligibility on a State-wide basis, staff vacancies and turn-over appeared to be a contributing factor. In five other States, a problem of maintaining continuing eligibility was noted in certain localities.

Federal funds are available only for payments to recipients whose eligibility has been regularly reestablished in accordance with State plan provisions.

In July 1948 the Bureau's statement of principles relating to hearings for dissatisfied claimants of assistance became effective. During the fiscal year, States improved their plan materials relating to the hearing process. In practice, States are establishing better methods of notifying applicants and recipients of their right to request a hearing. There has also been a rise in the level of requests for hearings which is generally interpreted to mean that applicants and recipients are finding it easier to exercise their right to a hearing. The Bureau continued to publish its quarterly series, *Hearings in Public Assistance*, and articles on hearings appeared in the *Social Security Bulletin* in July and September 1948.

Negotiations with Arizona and New Mexico resulted in formal hearings before the Commissioner for Social Security during February 1949 to consider the position of these States in failing to meet the needs of Reservation Indians on the same basis as other residents under the provisions of the Social Security Act. An arrangement was worked out whereby any assistance provided by the Bureau of Indian Affairs is considered as a resource, and State agencies meet the residual needs of Indians. The two States agreed to participate in this arrangement with the understanding that it was without prejudice in any future legal proceedings and also with certain reservations providing for termination of the agreement on notice.

States continuously seek advice in developing policies that conform to the act and lead toward more effective administration. Subjects that were given particular attention during the year include further clarification of the responsibility of the State agency for administering or supervising the administration of assistance under the Social Security Act; defining the basis on which money will be provided to enable needy individuals to secure medical care; use of guardianships when the money payment fails to meet special needs of emotionally disturbed individuals who cannot deal competently with all of their affairs; and availability of Federal participation in certain administrative costs not previously claimed by States.

Lack of staff for basic research and consultation with State agencies prevented the Bureau from responding fully to requests for help on methods of recording data on individual cases as a basis for showing that eligibility exists and for providing continuing service and assistance to applicants and recipients; safeguarding information about individuals requesting and receiving assistance; and identifying rehabilitative services to individuals that may be included in claims for Federal participation in administrative costs.

State Plans and Grants Procedures

Preliminary work on developing a revised outline for State public assistance plans, including instructions for the use of the outline, was completed in June 1949. Every State agency is being requested to consider these materials in relation to their usual operations, to test the outline and instructions in relation to present plans and any contemplated revisions, and to report the results of such analysis for consideration before issuance of the materials as Federal requirements for submittal of State plans.

Grant procedures were changed during the year so that States now receive one check for each month covering old-age assistance, aid to the blind, and aid to dependent children. One form was substituted to replace the three forms formerly used to compute grants, and a revised voucher form included all three categories. To provide for more uniform reporting by States, the quarterly statement of expenditures for old-age assistance, aid to the blind, and aid to dependent children was revised effective January 1, 1949.

Fiscal Accountability

In June 1949, the Bureau completed a further interpretation of the provisions of the Social Security Act that are directly related to a State's accountability for expenditures for which Federal participation is claimed. This interpretation identifies the responsibilities of State agencies for establishing the validity of claims and for promptness and accuracy in reporting such claims. The interpretation is accompanied by a statement of requirements and recommendations with respect to the record system which a State agency must establish and maintain to account properly for Federal funds.

The Aging

A member of the Bureau's staff acted as secretary for an intra-agency committee on the aging, established by the Administrator of the Federal Security Agency, with the Bureau Director acting as chairman of the working group. The committee is charged with the responsibility for analyzing problems of the aging and for preparing a plan of action for inaugurating a comprehensive program to meet these problems, using and coordinating total resources of the Agency's constituent units. It is anticipated that a plan will be evolved for Nation-wide exploration of problems of the aging bringing together the resources of all national public and voluntary agencies, the Federal Security Agency taking leadership in promoting this plan.

In September 1948 the Bureau issued a statement of principles clarifying provisions of the Social Security Act prohibiting Federal participation in assistance to residents of public institutions. Lack of adequate facilities for sheltered care is a serious problem encountered in meeting needs of the aged. Development of group housing facilities for the aged involves consideration of large questions of public policy, including those inherent in providing public housing for all individuals by all levels of government, and maintaining and encouraging the development of private institutional resources and other voluntary activities. The scope and acuteness of these questions indicates need for research and demonstration and exploration of experience of other countries before any changes are recommended in present legislation relating to public domiciliary institutions.

Administrative Review

The Bureau's administrative review of State and local administration continued to be an effective and necessary measure for determining whether State operation of public assistance programs meets minimum Federal requirements and to establish a factual basis for consulting with State agencies on improving policies and procedures and promoting uniformity in application of policies. The review was carried out in all States according to the practice of previous years. Revision of basic instructions and reporting procedures simplified the work of regional staff engaged in the reviewing process and produced findings more useful in observing results of current program objectives.

Training

Urgent need for staff development programs within the States and interest of States in providing comprehensive training opportunities for their staff are illustrated by constant and repeated requests to the Bureau for assistance on staff development plans. Demand for such services has been beyond the ability of the Bureau to supply.

The revised statement of principles relating to State expenditures for educational leave for staff of State and local public assistance agencies, issued by the Bureau in February 1948, became effective on September 1, 1948. The new statement, broadened to include Federal participation in the cost of educational leave for specialized professional and technical education as well as education for social work, can be helpful in improving the competence of State personnel. State agencies have found that competence of workers develops most effectively by combining on-the-job training with education in schools of social work. Accordingly, school-agency relationships are being strengthened through joint committees working toward the development of field-work practice in local and State agencies. Supervised field work in the Bureau is offered to advanced students from schools of social work who meet certain criteria. This year a member of the staff of the Oklahoma State Department of Public Welfare, who was taking graduate courses in social work, was assigned to the Bureau where she studied the use made by State agencies of consultants on staff development.

The Committee on Training and Personnel, which is advisory to the Children's Bureau and the Bureau of Public Assistance, has undertaken a special 2-year project to analyze and record the knowledge, skills, and personal qualities needed for effective performance in social work positions in public welfare.

The Bureau has made a special effort to help States exchange and share successful experiences in staff training, in part through direct consultation and correspondence and also by publishing materials prepared by State agencies. A series of publications, *Current Practices in Staff Training*, was augmented in March 1949, by issuance of *The Staff Meeting As a Means of Improving Administration*, presenting materials of the Arkansas Department of Public Welfare, and in June by issuance of *Staff and Student Training*, an excerpt from *The Manual of the Public Assistance Division of the Board of Public Welfare, District of Columbia.* Also, in January 1949, the second number of a series, *Case Records in Public Assistance*, was published. Case materials were submitted by State and Territorial agencies, and records from Illinois, Mississippi, New York, North Carolina, South Carolina, and Texas were selected for publication.

Research

Research activities were directed toward further exploration of the relationship of old-age and survivors insurance to the assistance programs, a study of sources of revenue for State assistance funds, and an evaluation of the use of permanent samples of case loads as a means of collecting data quickly and at minimum cost. During the year, a report was issued showing sources of revenue for the State share of public assistance, 1939–47, by State and program. Reports on medical assistance were released for 16 of the 20 States that participated in a study of the volume and cost of medical services in 1946.

Demand for Public Information

The Bureau received nearly 16,000 inquiries about public assistance—twice the volume of the previous year—from individuals, agencies, and Members of Congress, about 80 percent of which were forwarded for action from the White House. Changes in economic conditions were reflected in the mail. On the whole, fewer complaints were made about State and local administration of assistance programs and more requests were made for additional Federal financial help and for Federal action that would produce greater liberality in State programs. Consideration of Federal legislation by Congress aroused public interest. Some letters advocated improvement of programs for this country in view of the money spent on recovery programs for other countries. Many requests for material came from citizen and technical groups, schools and colleges, writers, newspapers, foreign countries, and international and national agencies.

To help meet many requests coming from States for assistance in developing or improving informational activities, the Bureau compiled from State publications and other sources two kits of illustrative and technical materials for use of regional staff in consultation with State agencies.

National Planning for Family Welfare

The Bureau participates continuously in national planning directed toward the extension and improvement of services designed to strengthen the family. Such participation is desirable since the Bureau's responsibilities are directly and primarily related to drawing together total community resources to meet individual and family needs as well as providing service and assistance to certain families and adults. Participation is a service to the States in that the Bureau presents the views of public welfare agencies in planning at the national level and brings the results of national planning to the attention of State agencies and through them, to local agencies. State and local agencies thus are provided with information about national resources and can find means of participating in planning at all levels of government.

The Bureau is one of 56 national agencies and groups affiliated with the National Social Welfare Assembly—the central facilitating, coordinating, and planning organization in the field of social welfare. The Bureau Director is an elected member of the Executive Committee and various members of the staff represent the Bureau in working groups of the Assembly. The Bureau Director, who is a member of the board of directors, and various members of the staff participate through committees and regional and national conferences in the work of the American Public Welfare Association, the national private agency concerned with development and improvement of all aspects of public welfare. Cooperation is continuous with the Family Service Association of America with particular reference to standards of case-work service and program interpretation to the public.

The Bureau Director is a member of the technical study committee of the National Council on Social Work Education, which is sponsoring a Nation-wide study of social work education. A member of the staff of the Bureau was released on leave for 9 months to act as assistant director and to represent the professional social work viewpoint on the study staff.

The Bureau Director served as a member of a small committee considering the future organization and methods of operation of the National Conference of Social Work.

During the year various members of the staff of the Bureau carried responsibility for relationships with national agencies and working committees. Considerable time was devoted to the work of the Interdepartmental Committee on Children and Youth and its subcommittees and on various preparations for the Midcentury White House Conference. The Bureau is represented on the National Committee on Homemaker Service and the National Committee on Social Service Exchange. In relation to the preparation and explanation of principles involved in determining need, liaison responsibilities were maintained with the Bureau of Human Nutrition and Economics of the Department of Agriculture, the American Home Economics Association, the Office of Vocational Rehabilitation of the Federal Security Agency, the American Legion, and the National Conference of Social Work.

In relation to problems of the aging, conferences were held with representatives of the Board of Hospitals and Homes of the Methodist Church, Community Chests and Councils, Council of Jewish Federation and Welfare Funds, Departments of Christian Social Relations of both the National Council of the Protestant Episcopal Church and the Federal Council of the Churches of Christ in America, Division of Welfare of the National Lutheran Council, Division of Welfare of the United Lutheran Church in America, National Conference of Catholic Charities, National Conference of Social Work, and National Social Welfare Assembly.

International Cooperation

The Bureau continued to assist in developing international social policies and in promoting objectives of the United States in international collaboration in the field of social welfare. The Director of the Bureau represented the Commissioner for Social Security as Acting Chairman of the Subcommittee on Social Welfare of the Interdepartmental Committee on International Social Policy. During the year, the subcommittee approved 51 memoranda establishing the official positions to be taken on social welfare subjects by delegates of the United States to the United Nations, specialized agencies, and international conferences. A number of these memoranda were prepared in the Bureau or by working groups in which staff members participated.

The Bureau participated in planning for social welfare activities under the President's proposed program for technical assistance to underdeveloped areas, provided services in relation to programs for displaced persons, and compiled information on problems arising from the presence of troops and civilians abroad. Replies were prepared to various questionnaires received from the United Nations and other international organizations on social welfare subjects and comments were made on draft conventions under consideration by the United Nations. The Bureau Director continued to serve as a member of a United States Working Group appointed by the United Nations to advise the Secretary-General on technical social welfare subjects. One staff member was given leave to undertake a 4-month assignment in Ecuador for the United Nations. American social welfare publications were provided on request to welfare and labor attaches in various American embassies and to over 21 countries.

As a part of the United States scientific and cultural cooperation program under Public Law 402 (80th Congress), a member of the Bureau staff spent 3 months working with social welfare agencies in Cuba, Brazil, Colombia, and Panama. Another staff member initiated a cooperative project in Mexico. Training grants in the United States were awarded to social welfare officials from Guatemala, Panama, and Mexico.

The Bureau directed an observation training program for 30 welfare officials from 14 countries who came to the United States under the auspices primarily of the advisory social welfare services of the United Nations and the cultural exchange program of the Department of National Defense. National, State, and local public and voluntary agencies and schools of social work contributed immeasurably to success of this program. More than 70 persons from other countries visited the Bureau to obtain information on social welfare developments in the United States. At the request of Federal and voluntary agencies, the Bureau provided orientation and consultation service to 10 Americans who had overseas assignments.

IMPROVING PUBLIC ASSISTANCE AND DEVELOPING A COMPREHENSIVE PUBLIC WELFARE PROGRAM

As an integral part of planning toward development of a comprehensive social security system, the Social Security Administration proposes modifications and extensions of the Social Security Act designed to achieve more nearly adequate public welfare programs for individuals and families. The recommended changes are intended to make it possible for States to extend coverage and expand assistance and services to meet individual and family needs, and to provide for more effective methods of financing and administration. These proposals would assist States to develop broadly effective, well-balanced public welfare programs properly integrated with the social insurances. Taken as a whole, the proposals make possible the maintenance of a basic level of assistance and service below which no State program need fall, and they provide for elimination of conditions that exclude needy individuals and groups for reasons essentially unrelated to program objectives.

Extending Coverage

ASSISTANCE FOR EVERY NEEDY PERSON

The Social Security Administration recommends extending the public assistance provisions of the Social Security Act to include Federal participation in assistance to all needy persons. The purpose would be to establish in all parts of the Nation a flexible and comprehensive assistance system, able to adjust to changing social and economic conditions and to meet the residual and emergency needs of families and individuals.

For proper perspective public assistance must be evaluated in terms of economic security and the broad income maintenance aspects of social security. Adequate earnings from full-time employment are, of course, the chief reliance for economic security for most people. The social security system is primarily concerned with income maintenance through benefits that permit individuals to retain a minimum standard of living when faced with economic and social hazards that reduce or eliminate their earning power. Protection through the social insurances thus should be the first recourse for most people who are unable to work and earn a living, and to make this possible, the social insurances should be expanded to cover all employed persons and all major risks of loss of earnings. Public assistance should take up the slack by helping needy people who are not covered by social insurance, whose needs exceed the insurance benefits they receive, or whose benefits are exhausted. Extension of scope and coverage of social insurance and increase in benefit levels would substantially reduce the residual groups who must now rely on public assistance. To the extent that other public or private provisions are inadequate to assure freedom from want, public assistance should be available to meet remaining basic needs.

A serious gap in public assistance results from limiting Federal financial participation to the needy aged and blind and to certain dependent children. Many individuals now excluded are not signifiicantly different from those receiving assistance under the Federal act; for the most part, they are elderly, sick, or otherwise handicapped, or they are children. It is indeed a fine line that is drawn between the needy eligible individual who is 65 years of age and his needy ineligible neighbor, or even his wife, aged 64. It is difficult to draw a logical distinction between the needy blind person and other seriously handicapped individuals who are needy but not blind; nor is it easy to explain why some needy children can receive aid to dependent children while others are ineligible.

Two important trends have resulted from piecemeal Federal participation in public assistance. First, a strong tendency exists to divert the limited State and local funds available for public assistance to the programs in which Federal participation is possible. This policy is aimed at obtaining as much money as possible in each State to care for needy people, but it results in much lower expenditures in many States for general assistance than for the aged, blind, and some dependent children. Further, with inadequate State and local funds, general assistance payments on the average are low, vary considerably among and within States, and in some localities are practically nonexistent. These two trends appear to substantiate the conclusions of the Council of State Governments that, in improving grant-in-aid programs, "National grants should be provided on a broad functional basis rather than on a piecemeal basis." [6]

It seems more than probable that assistance needs throughout the country, particularly in the poorest communities, can be met only by using the fiscal resources of the Federal and State governments to supplement those of the localities. With no Federal funds and little or no State funds for general assistance many localities have had a burden they could not carry, yet 15 States use only local funds and in 15 other States, local funds cover 50 percent or more of the costs. State funds constitute over half the expenditures for general assistance in 23 States, among which 11 meet all or nearly all the costs from State revenues.

The Senate Advisory Council on Social Security also recommended that Federal grants be made available to the States for general assistance. The Council believes that a proposed general assistance program should not be considered as a substitute for a program designed to deal with large scale unemployment, and recommends that Congress direct the Federal Security Agency to study the comparative merits of specific proposals for dealing with severe unemployment.[7]

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[6] 81st Congress, 1st Session. Senate Document No. 81, p. 81.

AID TO NEEDY CHILDREN

The Social Security Administration recommends that title IV of the Social Security Act be amended to provide for Federal financial participation in payments to parents or relatives who assume responsibility for the care of a needy child and maintain a home for him, whatever the cause of his need. It is further recommended that the definition of a dependent child be changed to include any needy child under the age of 18 whether or not he is attending school.

No nation can afford to neglect the well-being of children, but year after year some children in the United States continue to be without adequate support and care. Meeting their needs is not recognized as equally important with meeting the needs of the aged and blind. The consequences of malnutrition, improper housing, and other deprivations during childhood are reflected in sickness and chronic illness of adults, in delinquency and other social ills that are a drain on the national economy. Aid to needy children is designed primarily to strengthen family life and to make it possible for all children to live and grow and learn and develop into maturity in a setting that will help them to become responsible, contributing members of their community and country.

The present program of aid to dependent children has serious limitations. Federal funds can be used now only for children who are deprived of parental support or care for specified reasons and who are under the age of 16, or under 18 if regularly attending school. Further, assistance is available under the act only when the child is living with a parent or specified relative. If a major objective of public assistance programs—the bolstering of family life—is to be fully realized, assistance must reach all needy children living in family homes in amounts sufficient to maintain health and decency.

Such assistance would not jeopardize programs of voluntary agencies because public assistance is given only when persons are in need; if adequate assistance or other welfare services are received from a voluntary agency, a person would not be needy. Voluntary agencies assume responsibility for providing a variety of services and some assistance for children. Their contribution to the general field of child welfare is significant and should continue. For the most part voluntary agencies support the philosophy that basic maintenance should be made available by public agencies using tax funds. Assistance provided by a voluntary agency reaches a limited number of needy children in the area served. The resources of voluntary agencies have always been inadequate to meet continuing need for basic maintenance of needy children on a Nation-wide or even a State-wide basis. For example, the American Legion, while spending $73 million for direct aid and services to children of veterans in the 25 years ended June 30, 1949, advocates amendments to the aid to dependent children program that would result in meeting the needs of a greater number of children more adequately.[8]

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[7] 80th Congress, 2d Session. Senate Document No. 208, pp. 108–112, and 178–180.

If Federal participation is extended to general assistance, aid would be available to all needy children living with their families. Nevertheless, the Administration believes it would be desirable to make the changes advocated here. If Federal funds are not provided for all needy persons, it is essential that children receive aid in order that they may remain in their own homes.

NEEDY BLIND CHILDREN

The Social Security Administration recommends that, as a condition for the receipt of Federal grants under title X of the Social Security Act, States should be precluded from incorporating in their plans any age requirement that prevents needy blind children from receiving assistance. The act authorized Federal participation in aid to any needy blind person, but 22 States impose age requirements that render children ineligible. There are relatively few blind children in the United States—perhaps about 10,000—and those who are needy should have the assistance they require in order to live in their own homes when this is possible and desirable.

RESIDENCE

Believing that residence requirements as conditions of eligibility for public assistance work great hardship on needy persons who cannot meet them and are an anachronism in modern society, the Social Security Administration recommends that the Federal act be amended to prohibit in State plans approved under the act the inclusion of any residence requirement which excludes an individual who resides in the State.

American agriculture, industry, and commerce depend to a great extent on a high degree of mobility of population. During the war years, in fact, it was promoted as a matter of national policy to effect a satisfactory distribution of the labor supply. Between April 1947 and April 1948, 9 million persons changed their county of residence, half of them moving to another State. People move when and where better opportunities for a livelihood are offered. Inevitably some persons who move will become needy because of illness or death of a wage earner or other causes. They should not lose their right to help, if, after crossing State lines, they find themselves in want. Assistance legislation should be geared to the realities of an ever-shifting population.

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[8] *Report of The American Legion National Child Welfare Commission and Division to the Thirty-First Annual National Convention of The American Legion. 1949.*

The Social Security Act now permits States to impose residence requirements if they wish but limits the length of residence that may be required if a State is to qualify for Federal funds. A State plan for old-age assistance or aid to the blind may not require residence in a State for more than 5 of the 9 years immediately preceding application and 1 year continuously before filing an application. For aid to dependent children, the maximum requirement is 1 year of residence for the child immediately preceding application or, if the child is less than a year old, birth in the State and continuous residence by the mother in the State for a year preceding the birth. Some States have adopted substantially these same stipulations as minimum requirements for eligibility. Many, on the other hand, have requirements lower than the maximum permitted in the Social Security Act. A few no longer specify any period of residence as an eligibility requirement. There is no evidence that reduction or elimination of residence requirements in these States has led to an influx of needy persons from other States.

The Senate Advisory Council on Social Security, stating that residence and settlement provisions are socially unjustifiable, recommended abolition of residence requirements for aid to dependent children and aid to the blind and the prohibition of residence requirements for general assistance; it believes that States should be authorized to impose a residence requirement of not more than 1 year for old-age assistance.

CITIZENSHIP

The Social Security Administration believes that needy persons who are noncitizens and otherwise eligible should be able to qualify for assistance and recommends that, as a condition for the receipt of Federal funds, a State should be prohibited from establishing citizenship as a requirement for eligibility. A State may now receive Federal funds for assistance to needy noncitizens, but some States make citizenship an eligibility requirement. In June 1949, citizenship was a condition of eligibility for old-age assistance in 15 States, for aid to the blind in four States, and for aid to dependent children in one State. Citizenship, or a long period of residence in lieu of citizenship, was a requirement to receive old-age assistance in seven additional States and aid to the blind in one State.

AID TO PUERTO RICO AND THE VIRGIN ISLANDS

Though need is widespread in Puerto Rico and the Virgin Islands and the fiscal resources of the islands are insufficient to enable them to meet more than a fraction of need, Federal funds are not available to help them in financing old-age assistance, aid to dependent children, and aid to the blind. On the other hand, both Puerto Rico and the Virgin Islands receive funds under the Social Security Act for maternal and child welfare and for public health services. In the judgment of the Social Security Administration, all provisions of the Social Security Act relating to public welfare should be extended to include Puerto Rico and the Virgin Islands. Both have enacted legislation and established plans of operation that would enable them to qualify quickly for grants if the assistance titles of the act were extended to them.

Expanding Assistance and Services

SOCIAL WELFARE SERVICES FOR FAMILIES AND INDIVIDUALS

As one important means of strengthening the family as the basic unit in American society, the Social Security Administration recommends extension of Federal financial participation to social welfare services which are required by substantial numbers of families and individuals and which are usually beyond the capacity of voluntary agencies to finance on a large scale. The Administration believes that in time such public social services should be provided to families and individuals requesting them in all communities of the Nation. This goal can be fully realized only as additional personnel can be equipped to render service of professional quality, and to this end, this report contains proposals relating to training of personnel.

Costs involved in determining original and continuing eligibility and amount of payment, issuance of payments to recipients, and other services attendant to the provision of assistance, have been subject to Federal financial participation since 1936. A State cannot claim Federal funds for services to needy persons who do not fall within the scope of the three categorical programs, who are eligible for a special type of aid but require help that is unrelated to their financial need, or who are self-supporting but seek help in meeting personal or family problems. In proposing that public agencies assume greater responsibility for family and individual welfare services, it is recognized that such services are available in some localities under the auspices of voluntary agencies. Private family welfare agencies provide qualified professional service in a number of communities to limited numbers of people. Where they exist, their function is usually stimulation and leadership in the family welfare field, providing a highly skilled service to selected families or individuals, or meeting the social service needs of sectarian or other designated groups. Such private agencies seldom, if ever, attempt to meet all the welfare needs in any community. As has been stated by the Family Service Association of America, the national standard-setting organization in the field of family social work, "Public and voluntary agencies must continue to assess the unmet social needs in the community and to plan together how these needs can be met. The family social work program of a community is based upon the contributions of both."[9]

Social welfare services for families and individuals cover many activities that fall into two general classifications: specific service projects or operating programs designed to meet needs of particular groups of people with similar problems or to serve the community as a whole; and individualized services, called case work, provided by one social worker to or on behalf of one individual or family group.

In the first classification, activities that might be undertaken by a public welfare department include: (1) licensing and supervising foster homes and institutions for care and maintenance of the aged and handicapped; (2) training and supervising homemakers and assigning them to families that cannot afford to pay for such service at going rates and while lack of services threatens the stability and security of their family life; (3) specialized educational and occupational activities for the disabled in their own homes, to enable them to master the daily routine of living and to become as mobile, independent, and occupied as their handicaps permit; (4) participation and leadership in community organization, especially in rural areas, designed to stimulate the development of local resources in education, health, and social welfare; and (5) occupational and recreational programs adapted to groups with special needs such as the aged. The character and extent of projects and programs that might be organized would depend on needs of the community and availability of existing private or public resources to meet these needs.

The second classification of social welfare services for families and individuals—case work—is by far the most common kind of activity to be found in any private or public welfare agency. Paraphrasing a description of case work written by a committee of social workers and public relation specialists, case work is a method of helping a troubled person to understand what is causing his personal or family problems and to find inside himself, in the home, or in health and welfare agencies the resources to rebuild his or his family's life.[10]

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[9] *Highlights*, Vol. X, No. 2, February 1949, p. 18.

MEDICAL ASSISTANCE

Elsewhere in this report the Social Security Administration recommends establishment of medical care insurance under which workers contribute toward prepaying costs of medical services for themselves and their families. If such a system is established, provision should be made to permit assistance agencies to pay contributions into the insurance fund so that recipients of assistance could be eligible for the same medical services as wage earners.

Medical assistance is a method of paying for medical services, including money payments to recipients of assistance and payments made directly to persons, agencies, or institutions providing medical service to such recipients. Medical care, on the other hand, is the actual medical service provided by practitioners, hospitals, clinics, etc. Medical care is the responsibility of the medical profession and should be provided through health agencies. To the extent that medical care is available to needy people through health agencies, or the costs of such care are covered by health insurance, public assistance agencies will be relieved of the necessity of providing medical assistance. Through grants-in-aid administered by the Public Health Service, medical services provided by State health agencies are being strengthened, additional medical and nursing personnel trained, and the construction of hospital facilities stimulated. This report recommends elsewhere extension of Federal legislation and increase in appropriations to enable State health agencies to develop progressively their programs for maternal and child health and crippled children. For the time being, however, unmet need for medical care among recipients of public assistance is so acute that public assistance agencies are forced to make money available to pay some part of its costs.

For this reason, in order to help States to provide medical assistance, the Social Security Administration recommends: (1) extension of Federal grants-in-aid for public assistance to include payments made directly to practitioners, institutions, or agencies (including prepayment group health plans) supplying medical care to needy persons when medical services are not otherwise available; and (2) amendment of titles I and X of the act to permit Federal sharing in assistance to or the cost of care for persons who live in public medical care institutions other than those for tuberculosis and mental diseases. Money thus made available in the form of medical assistance, we believe, would act as a further stimulus to States and localities to develop more nearly adequate facilities for providing medical care and to make a wider range of medical services available to needy people. These recommendations are in general accord with those of the Senate Advisory Council on Social Security.

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[10] Paradise, Viola. *Toward Public Understanding of Casework.* Russell Sage Foundation, New York. 1948. pp. 89–91.

For a large proportion of recipients of assistance, the need for medical care is as basic as the need for food, shelter, and clothing. The aged are likely to suffer from chronic diseases, disabilities, and infirmities. By the nature of their disability, the blind frequently require medical attention. Preventive and curative medical and dental services should be available to all children. Many States are making serious efforts to help recipients to receive medical care, often bearing a substantial share of the cost.

Present assistance provisions of the Social Security Act have a limiting effect on the ability of the States to provide medical assistance. Maximums on individual payments often make it impossible for the State agency to make money payments large enough to cover medical bills, especially when these costs are substantial. The change from an individual to an average maximum, recommended elsewhere, would somewhat alleviate this problem for States that do not now reach the average maximum and are able to spend more money for this purpose.

Because of maldistribution of medical facilities and services in some places and because of administrative difficulties involved in meeting medical costs through the assistance payment, States would find it easier to help needy persons secure medical care if Federal financial participation were made available for direct payments to persons or institutions providing medical care. States could then elect to provide medical assistance through the money payment or direct payments, whichever procedure is more effective in an individual case. Use of direct payments would give the assistance agency accurate data about the proportion of assistance funds spent for medical care. This information would be an index to the volume and costs of medical services for the needy, and also would reveal the extent to which costs of medical care are now hidden in expenditures considered by a community as maintenance.

Chronic illness affects all age groups, but is especially common among the aged and people of low income. Many of the chronically ill should not or cannot remain at home. Costs of chronic care are serious. Private institutions are too few to accommodate all the people needing medical care, nor can private facilities assume the financial burden. Additional local, State, and Federal funds are necessary to solve this problem. For the aged and blind, the Federal Government can now participate in money payments to persons needing long-time care in medical institutions only if they are in private institutions, and then only up to the maximums on individual monthly payments. A State may now claim Federal sharing in payments to persons receiving medical care in public medical institutions for a temporary period only.

The scope of medical services for which money is supplied or responsibility for payment assumed by welfare agencies varies greatly from State to State. Some States provide comparatively little medical assistance and a few States provide none except in emergencies. In 1946, in the 20 States for which there is such information, average monthly expenditures for medical assistance per assistance case ranged from $0.52 to $12.08 for old-age assistance and from $0.50 to $6.44 in aid to dependent children. The high average of $12.08 occurred in a State that has relatively adequate facilities for nursing-home care and was able to pay for care of aged recipients who needed it. Costs are undoubtedly higher today. In general, States whose financial resources are small can finance only limited medical assistance. In such States, medical assistance for dependent children is particularly limited, and low Federal maximums in that program do not contribute to expansion.

The general assistance load for many years has been heavily weighted with the ill and the handicapped. If Federal grants are authorized for general assistance, the provisions recommended above should be incorporated in the legislation for this type of aid.

Financing

SPECIAL FEDERAL AID

The Council of State Governments, acting as a task force of the Commission on Organization of the Executive Branch of the Government on the subject of Federal-State relations and using grant-in-aid programs as one focus of study, concludes, "National grants should help support a Nation-wide level of government services which will be acceptable as a National standard. To this end, the grants should be apportioned to relate as closely as possible to (a) the need for the service within the individual States and (b) the capacity of the individual States to finance the service without disproportionate tax burdens."

These findings of the Council of State Governments support the recommendation that the Social Security Administration has made for several years and continues to make, namely, that the basis of Federal financial participation in assistance payments should be modified by using a formula for distribution of funds to States that varies the Federal share of assistance and administrative costs with economic capacity of the State as well as with the extent of need within the State. If the programs are broadened to include other services and assistance recommended in this report, such special Federal aid to States with less resources should be applied on the same basis to the added programs.

The Senate Advisory Council on Social Security, on the other hand, believes that the present method of financing provides sufficient guarantee that the States with smaller resources receive a proportionately larger share of Federal funds. The report of the Advisory Council emphasizes the need for tax reform to promote the greatest possible financial self-sufficiency and harmonious fiscal policy among the various governmental units. The Advisory Council recognizes that, "Under the best possible division of fiscal responsibility, however, there will remain wide differences in the available tax and revenue resources of the States and localities," and recommends that, "Federal participation in financing old-age assistance, aid to dependent children and aid to the blind should be continued on a basis whereby the Federal Government will pay a higher proportion of the total cost of assistance in the low-income States than in those with high per capita income."

The present method of financing, as continued under the 1948 amendments, relates Federal participation to levels of payment. Experience proves that this method does not take full account of the extent of need within the States or the capacity of the States to finance public assistance without disproportionate tax burdens. The agricultural States, 10 of which were lowest in per capita income in 1947, carry an extra burden of needy persons not covered by old-age and survivors insurance out of proportion to that of industrial States. This would be gradually eliminated, of course, if old-age and survivors insurance is extended to cover agricultural workers, as recommended elsewhere in this report. Nevertheless, the lower the average income within a State, the less is it possible for citizens to save for illness, old age, and other adversities and need for public assistance therefore is likely to vary among the States according to prevailing levels of income.

As the Senate Advisory Council points out, under present provisions of the act the rate of Federal financial participation in some low-income States is above the national average and higher than in some States with greater resources. This relationship will obtain, however, only so long as individual payments in the low-income States remain at their present low levels. Under all programs, the Federal share of assistance payments is closely related to the average monthly payment per recipient; the lower the average payment, the higher the rate of Federal participation. In States where the average monthly payment for old-age assistance is less than $30, the Federal share is approximately 70 percent or more. At the other extreme are the States where the average payment is $50 or more and the Federal share is less than 55 percent. Because average payments tend to be low in States with low per capita income and vice versa, the Federal share appears to be related to income-status of the State when in fact it is not. If the levels of assistance in the lower income States were to approach the average for the Nation, the percent of Federal participation would fall and the State and local share would increase. Since many of these States have not the financial resources for greater State expenditures, more nearly adequate assistance payments cannot be assured in low-income States under the present formula.

MAXIMUMS

In order to provide for greater consistency and balance in the administration of the programs, the Social Security Administration recommends the adoption of higher maximums for the aid to dependent children program and provision for participation in meeting needs of the relative or relatives who are caring for the child. Federal maximums for aid to children have never been realistically related to what families with dependent children need to live on. Though the Federal Government will contribute as much as $30 to a monthly payment for an aged or blind individual, and $60 for two such persons in a family, it provides at most only $16.50 monthly for one dependent child and $28.50 for two such children. Also, although the act requires that a child have a parent or relative in his home to care for him, no provision is made for Federal participation in meeting needs of the parent or relative supplying such care. In addition, incapacity of a parent is included in the act as a factor in eligibility, but no provision is made for meeting needs of an incapacitated parent living in the home. The Administration believes that greater adequacy in Federal participation in public assistance for children is requisite to the development of balanced and adequate State programs. The Senate Advisory Council on Social Security vigorously recommended this action.

In relation to all public assistance programs, present or suggested, it would be desirable if the maximum amount in which the Federal Government will participate were related to an average amount per recipient rather than to individual payments. This change would simplify and make more consistent the basis for determining the Federal share of assistance payments. Under the 1946 and 1948 amendments, this share is based on an average amount per recipient except that the amount subject to Federal participation is limited by maximums on individual payments. Use of an average per recipient would permit States greater flexibility in meeting need as it actually exists without loss of Federal participation. Within the State average, States could balance low payments made to recipients with some income against higher payments that include provision for expensive medical assistance, institutional care, emergency expenses and other special needs that cannot now be met except from State or local funds. The importance of such a provision in reducing time-consuming and expensive fiscal records at both the local and State level should not be disregarded.

STATE DISTRIBUTION OF FEDERAL AND STATE FUNDS

The Social Security Administration recommends that, as a condition of plan approval, a State should be required to provide for the apportionment of Federal and State funds within the State in a manner that enables eligible persons in all localities to receive assistance promptly at a standard of economic security established by the State for all recipients of assistance. This requirement means that the State agency must exercise control over the total amounts made available for categorical assistance and administration in each locality. The proposal would strengthen the present requirement by specifying a method by which such control must be exercised.

It is implicit in the Federal act that, within a State, methods of administration shall result in equitable treatment of all needy eligible persons. Equitable administration can be assured only if eligible persons in all localities of the State promptly receive assistance payments based on State standards uniformly applied. The relative number of needy persons varies from locality to locality within a State. Localities also vary considerably in their fiscal ability to meet a share of the costs of assistance and administration. Therefore provision should be made to pool Federal and State funds to make special aid available to the localities with least resources.

Control and equitable apportionment of funds among the localities poses a problem for States in which localities share the cost of assistance and administration. Attempts of States to meet this problem by means of local tax levies at fixed rates, or by establishing the local share as a fixed percentage of the non-Federal share or of total costs of assistance in a locality, have not provided sufficient funds in localities with least resources. An equalization plan for the best use of State and Federal funds appears necessary to assure equitable administration, and some States will have to amend their legislation to provide an effective distribution plan.

Administration

TRAINING

In view of the serious lack of trained persons available for employment in public welfare departments, the Social Security Administration believes that the Federal act should be amended to enable the Federal Government to aid in increasing the supply of adequately qualified personnel. Specifically, we recommend that the act authorize the appropriation of funds to the Federal Security Administrator for the purpose of cooperating with State agencies administering public welfare programs in developing and carrying out appropriate staff development programs. Further, the act should authorize the allocation of funds to States to cover the cost of staff training programs and special training projects the plans for and cost of which are evaluated in accordance with objective standards and approved by the Social Security Administration.[11]

During the past two decades there has been a vast expansion in social services furnished to needy people by public welfare agencies. In the same period, the supply of trained personnel needed to perform these services, although increasing somewhat, has been acutely short of meeting requirements. As a result, agencies have had to recruit large numbers of persons without professional and technical qualifications for whom training on the job must be provided. Of specific concern to State agencies has been the lack of trained social workers at the local level, where responsibility rests for dealing directly with problems that affect sick, troubled, and underprivileged men, women, and children. About 20,000 persons are employed in this capacity in State agencies. A recent study of social work salaries and working conditions in Michigan revealed that at least half of the workers in social work positions had received bachelor's degrees and thus were fully qualified to undertake graduate study in social work. Only two-fifths of the workers had ever taken any graduate social work courses. Less than one-third of the workers who had undertaken graduate study had completed requirements for a graduate degree in social work. Since salaries paid in Michigan are higher than those in most other States, it seems likely that the data for Michigan overstate the extent to which public assistance agencies in general are manned with trained social work personnel.

Training activities under the proposed plans may be anticipated to include: (1) maintaining demonstration projects participated in by staff of one or more State agencies, the results of which would be analyzed and published for use of all States; (2) conducting seminars, institutes, or study groups for State and Federal personnel in selected positions to study new subject matter or special areas of agency operations, and sharing the results of such activities through joint consultation and publication of reports; (3) stimulating exchange of personnel among States and between States and Federal agencies in order to benefit from advancements in programs and to orient specialized and administrative personnel; (4) producing and distributing visual aids concerning such subjects as special aspects of interviewing as related to public welfare and efficient methods of preparing pay rolls and issuing payments to recipients of public assistance; (5) augmenting the content and improving the use of State and local libraries of technical literature; (6) providing educational leave and scholarships administered by States for State personnel and by the Social Security Administration for its personnel; and (7) study and analysis of special problems related to public welfare administration by specialists with publication of the results. The greater part of the activity under such a training plan would take place in and among State agencies using funds allocated for specific purposes according to approved plans. Nevertheless, a program of this kind would require additional regular staff within the Social Security Administration to approve and coordinate plans, to participate in State programs as requested, and to facilitate exchange of experience among the States, schools of social work, and national agencies.

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[11] This recommendation is applicale also to child welfare, discussed elsewhere in this report.

STANDARDS FOR INSTITUTIONAL CARE

To protect residents of institutions from inadequate care under unsatisfactory conditions, the Social Security Administration recommends that, as a condition of plan approval, the Federal act require States to designate an appropriate authority or authorities to establish and maintain suitable standards for all types of facilities specified in the State plan as institutions in which persons may live and receive public assistance. Facilities that are available for care and maintenance of the infirm and chronically ill are frequently unlicensed and unsupervised and too often operate more for the profit of the owner than for the welfare of sick or aged residents. Conditions in some of these homes and institutions actually result in serious neglect of patients. Until States impose and enforce minimum standards on such institutions, residents will not be assured even minimum adequate care. The Senate Advisory Committee on Social Security makes this same recommendation.

CONTROL OF RECIPIENTS' PROPERTY

The Social Security Administration recommends that, as a condition of receiving Federal grants, States should be prohibited from requiring transfer of title or control of an applicant's or recipient's real or personal property to the State or locality. Such a provision would not prevent a State from making recovery from the estate of a deceased recipient, from imposing a lien to secure the State's claim if the recipient retained title to and control of the property, or from establishing the maximum value of property that an individual may continue to own while receiving public assistance.

Many State laws enable the State to recover the value of assistance granted. Some States assure recovery to their satisfaction through procedures that do not require a recipient to transfer control of his property to the State or locality. A few State laws, as a condition of eligibility for assistance, require a needy individual to transfer title or control of property he owns to the State or locality. In some instances this requirement applies to personal property, such as small savings accounts and insurance policies, as well as to real property. Under this system of recovery, elaborate and expensive procedures are instituted for collecting assistance granted. Compulsory transfer of control of property in order to qualify for assistance violates a cardinal principle on which the Social Security Act is based—that needy persons should not be differentiated by reason of their need and that recipients of assistance have the same right of self-determination in the use of their resources as others in the community.

Study of Family Life

Nation-wide concern is being expressed repeatedly over failure to reverse the forces that have devastating effects on familiy solidarity and security. Programs of many agencies of the Federal Government are related to and affect family life, the responsibilities of the Federal Security Agency being especially devoted to alleviating problems that attack the family. Yet no one agency of government is charged with studying family life and bringing together the multiple governmental services in a coordinated effort to deal with these problems. The Social Security Administration believes that the Congress should authorize the Federal Security Agency to devote special study to family life, to analyze the factors that weaken family solidarity, to evaluate the facilities and services that help to strengthen the family, and to stimulate public and private agencies to work together in a coordinated approach to developing community facilities and services that will aid families in coping with their problems.

Children's Bureau

CHILDREN IN THE UNITED STATES

Thanks to a continued high birth rate and a steadily falling death rate, the child population in the United States increased from 45 million under 18 years of age in 1947 to 46.2 million in 1948. This is the largest number of children the Nation has ever had. It is 5 million greater than the child population in 1940. Children, in 1948, made up almost one-third (31.4 percent) of the Nation's 147 million citizens.

The significance of the huge postwar increase in the number of children shows up more strikingly in this breakdown of the 1948 child population by age groups:

Under age 5	16,000,000 or	4,600,000 (40%)	*more* than in 1940.
Ages 5 through 9	12,900,000 or	2,200,000 (21%)	*more* than in 1940.
Ages 10 through 14	10,900,000 or	800,000 (7%)	*fewer* than in 1940.
Ages 15 through 17	6,400,000 or	1,000,000 (13%)	*fewer* than in 1940.

Immediately, the great pressure on health, education, and social services comes from children under 10 years of age, and especially from preschool children. In another 5 years, the pressure will be for expansion in services for the whole range of elementary school-age children.

The Children's Bureau is concerned with the well being of all children in the Nation. Under the act of 1912 which created it, the Bureau is directed to investigate and report " . . . upon all matters pertaining to the welfare of children and child life among all classes of our people . . . ." Under the Social Security Act, passed originally in 1935 and amended in 1939 and 1946, the Children's Bureau carries responsibility for helping the States to extend and improve their health and welfare services for children through administering grants grants for such services.

Births

Registered live births in 1948, which totaled 3,559,000 (provisional) were the second largest number for any year in this country. The rate was 24.4 per 1,000 population. Record year for number of births was 1947, with 3,699,940. Comparisons of 1947 with 1940, when births totaled 2,360,399 and the rate was 17.9, give some measure of the phenomenal increase that has taken place in postwar years. Between these years, 15 States had increases of 50 percent or more in their birth rates; 15 had increases from 40 to 50 percent; 14, from 30 to 40 percent; and 4, from 20 to 30 percent. Increases were greatest in those areas which for many years had had comparatively low birth rates.

Families With Children

Heaviest responsibility for the rearing of the Nation's children continues to be borne by relatively few families. In 1948, there were 37.3 million families in the United States. Sixteen million of them had no children under 18 years of age. Nine million had one child; 6 million had two children; 3 million had three children; and under 3 million had four or more children. About half the Nation's 46 million children under 18 were concentrated in the 15 percent of the families with three or more children, and nearly one-third of all children were in the 7 percent of the families with four or more children.

Children With Parents

The "typical" child in the United States grows up in a family that is "complete" with father and mother. This was true, in 1948, for 87 percent of the Nation's children. Six million children, or one in every 8, however, did not have a normal home with both parents. Of these children, 3.8 million were living with one parent only. In 88 percent of these cases, the parent living with the child was the mother. Absence of one parent was due to separation in the case of 1.4 million children, to divorce in the case of 900,000, and to death for 1.5 million children. Another 2 million were living with relatives other than their own parents, or as foster children in households of nonrelatives, or in institutions.

Family Incomes

The money that families have for buying a living for their children bears little relation to the number of children for whom they must provide. This basic fact of our economic system is not new but becomes increasingly important as the Nation extends the period of compulsory school attendance for boys and girls, discourages premature employment of youngsters, and in other ways prolongs the period of dependency of children on their parents. As it is now, the support of children falls heaviest on large families which are least able to afford it.

Families throughout the United States had a median income of $3,031 in 1947. Incomes of families with one, two, and three children, which did not vary much from this figure were $3,096, $3,180, and

$3,120, respectively. But for families with four or more children—those responsible for one-third of the Nation's children—the mean income dropped to $2,731.

An income of $3,180, the average for families with two children, by no means bought a lush life for such children in 1947. According to the Bureau of Labor Statistics, it cost city families from $3,004 to $3,458—depending on the price levels in different cities—to purchase the most modest living for a family of four persons. One evidence of the difficulties families have been having in meeting the mounting cost of living is the fact that early in 1949, 29 percent of all United States families had no liquid assets. In 1948, 3 in every 10 families spent more than they received that year.

Just as large families tend to have lower incomes, regions and States that are rich in children are usually poorer in financial ability to support services for children. The Southeast, for instance, with 57 children under age 15 for every 100 adults of working age, had a per capita income of $957 in 1948. At the other extreme, the Middle East had 37 children and a per capita income of $1,647. Among the States, Mississippi had 63 children for every 100 adults of working age and a per capita income of $758, whereas New York had 32 children and a per capita income of $1,891.

Mothers Who Work

The large number of mothers entering the labor market, one of the striking developments of the war, has continued since that time though not at as high a level as during the war. One out of every five mothers with children under 18 years of age—4.2 million mothers—was in the labor force in April 1948. Over 1.5 million of these mothers had children under 6 years of age.

Children Who Work

A century ago, in 1848, Pennsylvania passed the first law enacted in this country to protect children from premature employment. That law prohibited the employment of children under 12 in textile mills. In the 100 years since, the struggle to keep young children out of factories and dangerous jobs has scored great gains. By the end of the 1949 State legislative sessions, 22 States and Territories had passed laws making 16 years the minimum age for employment while school is in session or in factories. Federal law, since 1938, has also set 16 as the basic minimum age for working in plants producing goods for inter-state shipment, and 18 for occupations found to be particularly hazardous. But even in May 1949, employment of children continued high. In that month throughout the Nation 2.2 million children 14 through 17 years of age—more than 1 in every 4—were employed in part-time or full-time jobs. That was twice the number with jobs in 1940.

Family Living

What kind of living families of different sizes and at different income levels get for their money cannot be accurately summarized. One of the serious lacks in our country is any consistent plan for reporting such data. Not since 1935–36, when the first comprehensive national study of consumer expenditures was made, has there been any over-all measure of family deficits in decent living. Even the limited data available, however, on the goods and services families now get for their expenditures show that many families have severe economic problems, and give some warning of what may happen to the well-being of millions of children if the country runs into economic difficulties.

Housing remained, during 1948, high on the list of family problems, as it has been for years. Not only for many new families but for great numbers of established ones, especially those with middle and low incomes, the housing trouble has been three-headed: much of the postwar new housing has been beyond their financial reach; too many existing places where families have to live have been below decent standards; even decent living quarters too often have been overcrowded. With the passage of the Housing Act of 1949, new help for many families seemed to open up for the future.

DEVELOPMENTS IN MATERNAL AND CHILD HEALTH

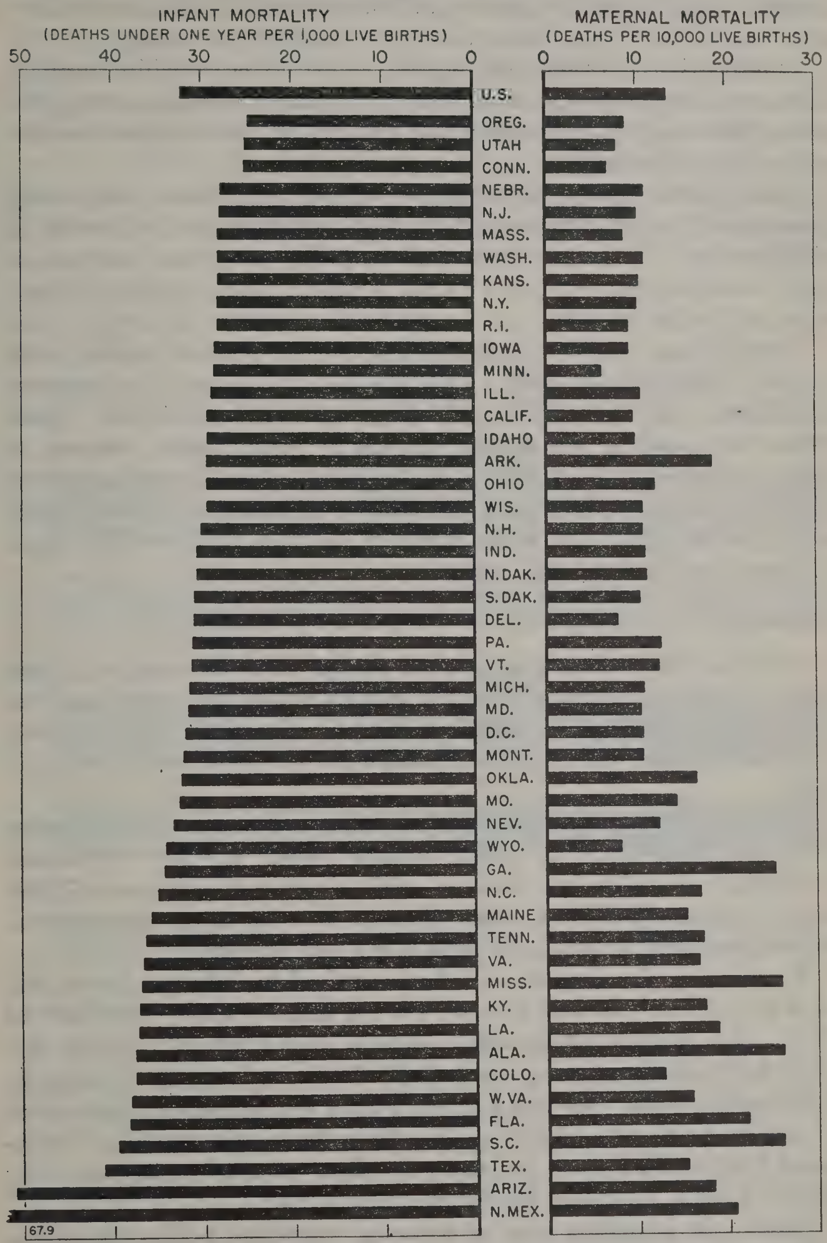
Maternal and Child Mortality

MATERNAL

The death rate of mothers in childbearing dropped from 13.5 per 10,000 live births in 1947 to a new low of 11.0 (provisional) in 1948. Actual deaths also fell from 4,978 in 1947 to approximately 4,070 in 1948. No earlier year since such figures were first compiled for the country approached the good record of 1948 either in number or rate.

There is still room for improvement, however. Some States outtop others in saving mothers' lives. Minnesota's rate, the lowest of all States, in 1947 was 6.1; Alabama's, the highest, was 26.2. These two States since 1940 give dramatic evidence of how rates can improve. In that year, Minnesota's maternal mortality rate was 22; Alabama's, 61. Hawaii, among Territories and Insular Possessions, was far

Chart 18.—INFANT AND MATERNAL MORTALITY, 1947



Source: National Office of Vital Statistics.

ahead of the United States average in 1947, with a rate of 8.2, and Alaska with 14.8 almost equalled the national average. Much more intensive work must be done to pull the rates of 25.4 in Puerto Rico, and 34.2 in the Virgin Islands, down to the national average.

Childbearing is 3 times as risky for nonwhite as for white mothers. The rates for the two in 1947 were 33.5 and 10.9, respectively. Between 1940 and 1947, the white rate was cut two-thirds; the nonwhite, only a little over half.

These shortcomings, nevertheless, should not obscure the steady progress of the Nation toward an irreducible number of deaths in childbearing. If the 1940 maternal mortality rate, 36.6, had held in 1947, we would have lost over 13,900 mothers, nearly 3 times as many as actually died in 1947.

Deaths from childbirth infection showed the greatest decline in the 8 years, 1940 through 1947. This was due in large part to improved distribution and use of the sulfa drugs and new antibiotics. Possibilities of speeding the decline in rate for hemorrhage, trauma, or shock, which has been slower in dropping, depend upon improved obstetric practices, increased availability of maternity beds in well-equipped hospitals, and more extensive facilities for providing blood plasmas, transfusions, and oxygen.

INFANT

The year 1948 clocked up a good record, also, in saving of infant lives. That year's rate of death of infants under one year of age was 31.8 (provisional) per 1,000 live births, as against 32.2 in 1947.

Actual deaths were 113,200 (provisional) in 1948, and 119,173 in 1947.

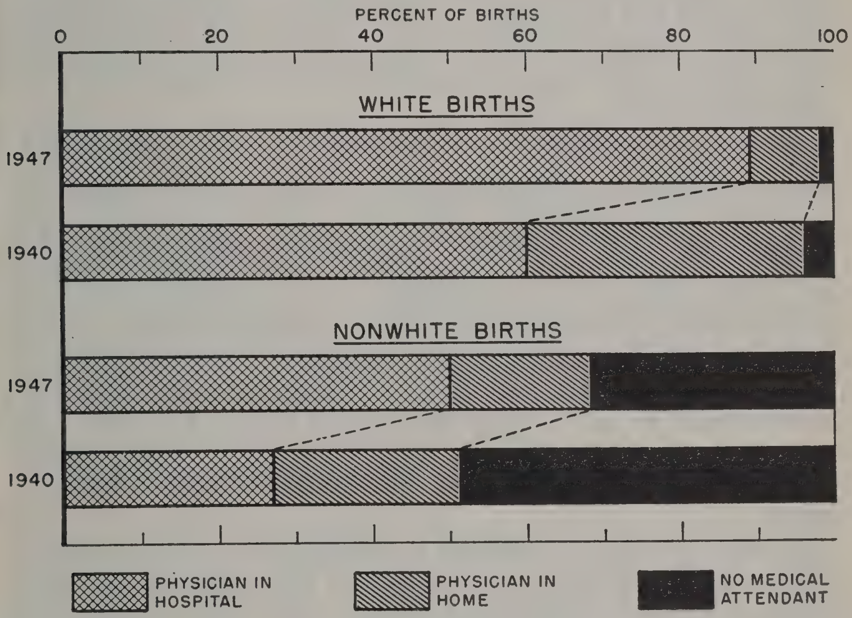
Again, a comparison with 1940 provides one measure of the gains that are being made in saving infants' lives. If the 1940 infant mortality rate, 47.0, had held in 1947, we would have lost 173,900 lives, or nearly 55,000 more than we lost. Good as the present reduced rate is, however, it can be brought down still further.

Evening up the chances of infant survival in different States will save more lives. In 1947 Oregon was the banner State, with a rate of 24.7. New Mexico, at the other extreme, had a rate of 67.9, but this State has made great progress since 1940 when it lost 100 out of every 1,000 babies born. Hawaii did better than the national average, with an infant death rate of 31.0. The other three areas outside Continental United States are far down the list: Alaska's rate was 63.7; Puerto Rico's, 71.5; and the Virgin Islands, 89.0.

Gains can be made also in assuring nonwhite babies as good a chance as white babies have to live through their first year. In 1947 the nonwhite infant mortality rate was 48.5, or more than half again as large as the white rate of 30.1. Between 1940 and 1947 the nonwhite rate began to catch up a little with the white rate, since the former dropped 34 percent, and the latter 30. But the margin between the rates is still very wide.

Both for mothers and infants, hospitals are ordinarily the safest birthplace, and the proportion of births that take place there has grown tremendously since 1940. In that year, 56 percent of all births were in hospitals; in 1947, the figure was 85 percent. But, again, nonwhite mothers and babies are not faring so well. Half the nonwhite infants, and only 11 percent of the white infants, in 1947, were born outside hospitals.

Chart 19.—MEDICAL ATTENDANCE AT BIRTH



Live births only.
Source: National Office of Vital Statistics.

Prematurity remains the leading cause of infant death, with congenital malformations second, pneumonia and influenza third, birth injury fourth, asphyxia and atelectasis fifth. Diarrhea and enteritis, which rated fifth in 1940, had dropped to sixth place in 1947. If progress is made in saving the lives of prematurely born infants, the infant mortality rate will tell a better story. Of the 119,173 infant deaths that occurred in 1947, 41,053 were of prematurely born babies. With expert care, it is estimated over a third could be saved.

CHILDHOOD

Good as the improvement in infant mortality was between 1940 and 1947, an even better job was done in the same years in reducing the mortality of children from 1 through 4 years of age, and from 5 through 14. Against a drop of 32 percent in the infant mortality rate, the reduction for the group age 1 through 4 was 45 percent, and age 5 through 14, 30 percent. Rates in these age groups were considerably higher in both years for nonwhite than for white children, but relative gains made in the 8 years were slightly in favor of the nonwhite children.

Accidents of one kind or another were still far in the lead of all causes of children's deaths. The accident toll was approximately 3 times as great as that taken by the second largest cause of children's deaths which was pneumonia and influenza. Cancer and leukemias, which were formerly far down the list of causes of death among children, have been moving up, because of the drop in deaths from many infectious diseases.

Hospital and convalescent care of childeren is receiving closer attention these days. In a minor way, the rigid attitude of hospitals toward their child patients is beginning to be relaxed in response to new ideas about the needs of the sick child. Growing as well as mending processes must be encouraged. Long periods of isolation from their mothers has a particularly damaging effect on physical and emotional development both of sick and well children. Recognizing this, a few hospitals are encouraging more frequent visiting of young children by parents. In an occasional hospital, the mother is encouraged to give some of the nursing care to her child. One hospital in New York is pioneering in bringing its whole range of services to convalescent children with rheumatic fever in their own homes.

As State planning for hospitals is translated from paper plans into bricks and mortar and equipment, with the assistance of money available under the Hill-Burton Hospital Survey and Construction Act, prospects for better services for mothers and children increase.

Child Care

The most informative and significant body of facts about what is being done for the health of children in this country was published by the Commonwealth Fund in April, 1949, under the title "Child Health Services and Pediatric Education." This volume reports on the first Nation-wide survey ever made covering health services for a total segment of the population. Both the method and extent of this study, a cooperative undertaking by the American Academy of

Pediatrics, the U. S. Public Health Service, and the Children's Bureau, were unique. Pediatricians themselves were the principal fact-gatherers.

There were 36 million children under 15 years of age in the United States at the time the data were collected in 1946–47. Any day of the year, over 500,000 children—14 out of every 1,000—received some kind of medical care. The great majority of these children—396,000—were under the care of physicians at home or office; some 97,000 were in hospitals; 14,000 received care from out-patient departments or community health clinics.

These figures are a yardstick not of the need for medical care, but of the amount received. That some children could use more medical care if they had a chance to get it shows up in differences between States and localities. Children in New York, for instance, received more than twice as much care as those in Alabama, not because New York children were more frequently sick but medical care facilities are more plentiful in rich States and communities. Children in isolated counties received one-third less medical care than those in or near cities.

Throughout the country, 117,000 physicians in private practice were available for the care of children, an average of 1 doctor for every 308 children. Seventy-five thousand doctors were general practitioners, 3,500 were pediatricians, and 38,300 were specialists in other fields. For every 1,000 children, there were nearly 6 doctors in greater metropolitan areas, but only between 1 and 2, in isolated areas. The chance for hospital care, like doctor's care, is most uneven for children. In metropolitan and adjacent counties, there were 15 beds per 1,000 children; in isolated counties, 8.

Three-fourths of the private care of children was in the hands of the general practitioner; a little over one-tenth (14 percent), of pediatricians. Pediatricians reported that over half (54 percent) of their visits on an average day were for health supervision: that is, to help the mother keep her well baby well. Only 9 percent of the average general practitioner's visits were for this purpose. But with general practitioners outnumbering pediatricians 33 times to 1, the great bulk of well child supervision, as well as supervision of sick children, was in the hands of the general practitioners whose training in child care was often inadequate.

One of the striking facts revealed in this study is the small part played in medical care by clinics and community health services. Only 16 percent of the general hospitals in the country had out-patient clinics, and these were in large communities. Well child conferences, it was found, played a minor part in the health supervision of preschool children. School health services were almost as inadequate.

Much of the value of scholarly and comprehensive studies such as this one lies not merely in the array of data produced but their challenge to citizens and professional workers to find correctives for the poor or inequitable conditions brought to light. The Academy is aware of this, and is encouraging and helping its members in each State to put into action the recommendations growing out of this study.

Toward Better Health Care of Children

Title V, parts 1 and 2, of the Social Security Act established the principle that all the people of the United States, through their Federal, State, and local governments, have a stake in the great effort to give all children a healthy start in life.

To implement this, the Congress appropriates each year, for grants to the States, $11 million to "extend and improve" maternal and child health services, and $7.5 million to "extend and improve" crippled children's services. (In June 1949, the Congress made a special deficiency appropriation of $750,000 to help ease the situation facing the States with many crippled children on waiting lists.)

State health departments and State crippled children's agencies, which are the recipients of this Federal aid, do the basic planning. (In 33 States and Territories they are the same agency.) The Children's Bureau is responsible for advising with public and voluntary agencies on ways of extending and improving services, for approving State plans, and for seeing that the requirements of the Social Security Act relating to the expenditure of Federal funds are met.

Each State's share in the $11 million for maternal and child health services is affected by the number of its live births in relation to the total number of live births in the country, by the State's need for help in providing services, and by its rural child population. To take full advantage of the Federal grants, States must match half of the $11 million. The remaining half is used for special projects of Nationwide significance and to meet emergencies.

Most of the services provided by State and local health departments for mothers and children are health promotion services; that is, they are designed to help well mothers and children keep well. Typical health promotion services are prenatal clinics, public health nursing services, well-child conferences, immunization services, and examinations of children of school age by physicians and dentists. Many of the States also provide limited medical and dental treatment for some expectant mothers and children.

States share in the $7.5 million Federal grants for crippled children's services according to the number of children under 21 years of age.

The division of funds also reflects the financial need of each State for assistance in carrying out its program and its relative number of rural children. Again, to take full advantage of the Federal grants, the States must match half of the $7.5 million. The remaining unmatched half is allotted to the States for special projects.

All States provide a range of services for crippled children which includes: locating them; diagnosing their crippling condition; maintaining a register of them; providing or locating skilled care for them in hospitals, convalescent, and foster homes, and in their own homes; and cooperating with agencies and professional groups concerned with the care and training of crippled children. Because no State has funds sufficient to do this comprehensive job for all handicapped boys and girls, all States necessarily have to restrict some services to certain areas or groups of children—most commonly those with handicapping conditions that require orthopedic or plastic treatment.

The extent to which both maternal and child health services and services for crippled children are reaching mothers and children appears later in this report. What does not show up in the statistics, because it is not measurable quantitatively, is the concept behind these public health services for children.

The practice of public health services, where it is most sensitive to the needs of people, has grown beyond its original and limited purpose of merely *preventing illness* through mass sanitary measures and communicable disease control. Gradually, public health workers see they have a job to do to *promote good health*. They are concerned with building a feeling of buoyant well-being. To build that in youngsters takes the combined efforts of people who know how to deal with the social and emotional factors in a child's environment that make for good health as well as with its physiology. The old technique of putting a child under the microscope, figuratively speaking, to find out what is wrong with him medically or physically, is not enough. He needs to be looked at through a telescope, as it were, with a lens wide enough to see the child in his environment. Not only the doctor should look through the telescope, but the nurse, social worker, psychologist, nutritionist, and other specialists in the emotional and social growth of children. Their joint observations can result in diagnosis and treatment that is far sounder than any that each can make separately.

This concept of public health service, while it does not yet universally dominate practice, is far more widely embraced than in 1935 when Federal aid was started. The well-staffed maternal and child health division in today's public health department, for instance, has not only doctors and nurses, but consultation service also from social workers, nutritionists, psychologists, and other child specialists.

These workers pool their knowledge and make joint recommendations. The same is true in services for crippled children. Most importantly this new viewpoint shows up in the special projects here and there over the country which Federal funds are helping to finance as demonstrations of the ways of improving and multiplying services.

PREMATURITY

Special projects for the care of premature babies are doing a pioneering job in showing how the lives of these undersized and underdeveloped infants, who weigh less than 5½ pounds at birth, may be saved and safeguarded. Many States are concentrating on providing actual care for prematures in hospitals with special equipment and with especially trained doctors and nurses. The kind of care premature babies must have, if they are to survive and to mature normally, often is highly skilled. Such service is expensive for parents and hospitals.

Within the last few years, with the help of Federal funds, successful centers for prematures have been set up in Colorado, Hawaii, Illinois, Louisiana, Maryland, New York, North Carolina, Tennessee, and West Virginia. In 1949, Florida, Kansas, Missouri, Montana, and Ohio were making plans for such centers. The medical and nursing staff of the Children's Bureau works with State child health workers in developing many of these services for prematures.

CEREBRAL PALSY

Children with cerebral palsy are a group of handicapped children for whom special projects, both under public and private auspices, are developing at an increasing pace. Probably no other group of handicapped children is more in need of help than these children. Cost of treatment and training is extremely high, and cerebral palsy, like polio, is no respecter of family incomes.

With proper care, a high percentage of those children can live useful, reasonably well-adjusted, and independent lives. A well-rounded out-patient plan of care, the kind needed by the vast majority of cerebral palsy children, includes a broad range of services, all working together: periodic examination by an expert medical team, physical therapy, occupational therapy, brace fitting, speech therapy, medical social service, education, and vocational training. When this kind of care is given to children early, it can often be less costly.

The organization of this medical and educational teamwork, both for institutional and out-patient care, is a major undertaking, and one that requires substantial financing. California's State legislature recognized this in 1947 when it appropriated $1 million to study and initiate the development of all types of services for its cerebral palsy patients. New York State's legislature appropriated $500,000 in 1949 for this purpose.

With the help they receive from Federal funds, every State crippled children's agency attempts to do something for individual cerebral palsy children, but only a few States have been able to take even initial steps toward developing well-rounded programs for these children. Special projects in 1949 were in operation in the State crippled children's programs in Alabama, Kentucky, Maryland, Minnesota, Mississippi, Montana, New Jersey, and Hawaii.

Behind the advances, meager as they are to date, that have been made for this large group of afflicted children is an alert movement of citizens, spearheaded by a steadily growing number of committees of parents. During the year, a national organization of parents of children with cerebral palsy began to take shape.

RHEUMATIC FEVER

One of the most dramatic developments in medicine in 1949, and certainly the most thrilling for children with rheumatic fever, was the demonstration of a new treatment for this disease which may some day banish it as the greatest killer, among diseases, of children aged 5 to 14, and as one of childhood's greatest cripplers. Cortisone, extracted from the adrenal cortex, and ACTH, a pituitary hormone—both from animals—are science's great new contributions to the treatment of rheumatic fever, among other rheumatic diseases. While doctors are cautioning against too great immediate hopes from this new development in medicine, some specialists think it may in time revolutionize the treatment and care of children with rheumatic fever.

State crippled children's agencies have been giving increasing attention to these children. By 1949, 25 agencies assisted with Federal funds had established special programs for their care. These were in Alaska, Arizona, Arkansas, California, Connecticut, the District of Columbia, Hawaii, Iowa, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Jersey, New York, Oklahoma, Rhode Island, South Carolina, Utah, Virginia, Washington, West Virginia, and Wisconsin. Three States used part of their Federal grants for crippled children to establish training fellowships for graduate work in the field of rheumatic fever.

In advising on standards of care and the development of State programs, the Bureau works closely with the American Heart Association's Council on Rheumatic Fever and with the Helen Hay Whitney Foundation which, in 1949, made a survey of all hospitals and convalescent homes in the country serving rheumatic fever patients.

POLIOMYELITIS

With a polio epidemic in 1949 that threatened to be second only in severity to the 1916 epidemic, the worst this country has had, State crippled children's agencies mobilized their own and Federal funds to be ready for its impact. A highly important step was taken in May 1949, under sponsorship of the Bureau, when representatives of the National Foundation for Infantile Paralysis came together with representatives of State crippled children's agencies and the Bureau staff to develop closer teamwork between these private and public agencies for the diagnosis, treatment, and rehabilitation of children attacked by this still mysterious and blighting disease. The recommendations of this conference for coordinated planning and operation of programs for polio victims in the States are expected to result in more efficient use of public and private funds and personnel, and in more and better care for children.

HEARING DEFECTS

More clinics for children who are hard of hearing were held in 1949 than in any earlier year, and evidence is growing that a great deal more can be done for the preschool child with hearing defects. Many States are utilizing new diagnostic techniques developed by the military services during the war. Hearing specialists are discovering that even very young children can be fitted with hearing aids and, with care, can be taught how to use them. Federal funds in 1949 helped to finance special hearing projects in Maine, Maryland, Oklahoma, South Dakota, and Wisconsin. A special grant went to the Maryland Department of Health which contracted with Johns Hopkins University to train audiologists and other personnel needed in this highly skilled work. A "Guide to the Development of Programs for Conservation of Hearing" was published by the Bureau.

DENTAL DEFECTS

Better dental health of children has moved ahead with the Nationwide demonstrations of topical fluoride therapy for the prevention of tooth decay, conducted by the Public Health Service. Already many of the States and local communities have begun to organize preventative treatment services to reach all children, as part of their maternal and child health programs. The Bureau prepared guides for the development of dental programs for children. Eighteen communities are now adding fluorides to their public water supplies to control tooth decay in children.

Considerable interest developed in the past year in problems of crooked teeth and dental facial deformities of children. The American Association of Orthodontists now has a public health committee which, in two conferences with the Children's Bureau, has drawn up a set of principles concerning the inclusion of orthodontics in public health programs. New York State has provided for treatment of children with malocclusions under the crippled children's programs, and other States are following suit.

HEALTH CARE FOR CHILDREN OF SCHOOL AGE

School age children are, at long last, beginning to win their rightful amount of attention, healthwise, from health departments and legislatures. Increasingly, health departments are coming to recognize that the mere provision of a medical and dental examination is not a full discharge of their responsibility. Defects that show up in examinations all too often have gone untreated, not through lack of concern on the part of parents but because treatment is not available or is beyond their reach.

Three States, assisted with Federal money and consultation from the Bureau—Georgia, Maryland, and Maine—initiated or intensified their efforts to mobilize all community resources to do a complete examination and treatment job for all school children in a limited area. What is learned from these demonstrations should prove immensely useful in any national program of health services for school-age children which may receive Congressional authorization.

School health services will receive great assistance when the results of a vision testing study, the field work of which was completed in 1949, become available for use. What tests to use and who should do the tests have been unanswered questions for school administrators and health personnel. This cooperative study was undertaken by the Children's Bureau together with the National Society for the Prevention of Blindness, the Missouri State Department of Public Health and Welfare, the St. Louis Board of Education, and the Washington University School of Medicine.

GENERAL PEDIATRIC CENTERS

Where clinic services have been developed in the past by State or local health departments the most common practice has been to develop separate clinics for different purposes: one for the well child, others for the child with hearing, heart, cerebral palsy, or other defects, and still others for child guidance. Now a few States—notably Georgia, Maryland, West Virginia, and the District of Columbia—are experimenting with general pediatric centers where all diagnostic and treatment services can be centralized. At such clinics, a child is given a complete examination by a pediatrician before he is referred to specialists for any specific defects. The Children's Bureau has been encouraging States to develop plans for the coordination of these services for children and for bringing consultant services from teaching centers to smaller community centers.

Special Training Projects

Paradoxically, the practice of public health in many communities is ahead of its teaching. The broader concept of the scope of public health, mentioned earlier, has not always been reflected in public health courses. One of the purposes of the special grants made from Federal funds to teaching institutions is to bring this new point of view to students of all services for children, whether they are going to work in private practice, in voluntary agencies and institutions, or in public health work.

A portion of Federal funds for maternal and child health and crippled children's services is used each year to help in financing the cost of courses where doctors, nurses, medical social workers, and others can go for specialized training in services for children. Bureau consultants work closely with educational institutions in developing these courses. Twenty-one educational centers, in 1949, received special training grants. These projects are set up by official State agencies in conjunction with a University, and every effort is made to insure that the training provided shall be of the highest caliber.

State health agencies continue to be harrassed by lack of well trained workers for their regular programs. One way they are trying to overcome this difficulty is to use some of their Federal-State funds for stipends, tuition, and travel of health workers who will take advanced training in public health work. During the fiscal year 1949, States used $527,000 to help 1,501 workers in maternal and child health services, and $224,000 for 335 workers in crippled children's services, to get more training.

Services Received by Mothers and Children

In general, the services which mothers and children received through federally aided State maternal and child health programs showed an increase in 1948 over 1947. State reporting of services provided by many hundreds of local health units has never been complete. The figures that follow must be taken as general evidence of service.

Postpartum nursing services were provided to 223,000 mothers in 1948, compared with 215,000 in 1947. About the same number of expectant mothers attended medical clinics in the two years. Public health nursing services to mothers during pregnancy declined a little. Infants and preschool children who received health supervision at medical conferences totaled 643,000 in 1948, an increase of 78,000 over 1947. Over 1,072,000 infants and preschool children received public health nursing services in 1948, as compared with 1,011,000 in 1947. Inspections of preschool children by dentists or dental hygienists decreased from 56,000 in 1947 to 53,000 in 1948.

School health services showed some increase in 1948. Physicians' examinations of school children totaled 2,072,000 as against 1,878,000 in 1947. Public health nursing visits to school children increased from 2,199,000 in 1947 to 2,427,000 in 1948. There were 2,038,000 inspections by dentists or dental hygienists in 1948, 409,000 more than in 1947.

Immunizations, on the other hand, dropped. Some 1,403,000 children were immunized in 1948 for smallpox and 1,545,000 for diphtheria, as compared with 2,072,000 and 1,597,000 in 1947.

The foregoing services were provided under the administration or supervision of official State health agencies. Data on services provided by voluntary health agencies and hospital clinics for mothers and children are not available.

Each State crippled children's agency maintains a register of crippled children. Such registers are intended to include all children under 21 who have crippling conditions for which children may be accepted for care by the State agency, provided the crippling condition has been diagnosed by a licensed physician. There has been a steady increase in the number of crippled children registered since Federal grants for crippled children's services, under the Social Security Act, first went into effect in 1935. At the close of 1948, well over 500,000 crippled children were registered in all States. No State lists all its crippled children. While a few State registers are fairly comprehensive, more of them simply list children who are now receiving or have received service in the past, and do not include children under care by private physicians. The proportion of children under 21 years of age on registers varies from 4.9 out of every 1,000 children in Texas to 27.1 in the District of Columbia. A low ratio usually represents incomplete registration, rather than a low prevalence of crippling conditions among children.

Throughout the country about 175, 000 children received diagnostic or treatment service under State crippled children's programs in 1948, about the same number as in 1947. One third of these children received service in 1948 for the first time from State agencies. Nine out of every 10 children cared for were attended by physicians either at clinics, hospitals, convalescent homes, offices, or at home. At least 7 out of every 10 children received follow-up care by physicians, surgery, hospitalization, or convalescent-home care, in addition to medical diagnosis.

Some 130,000 children made 275,000 visits to clinics for diagnosis or treatment during the year, an increase over 1947 of 30,000 clinic visits. About 30,000 children, 1,000 more than in 1947, were hospitalized. These children spent, in total, 1¼ million days in hospitals. Nearly 5,000 children, about the same number as in 1947, were provided over 450,000 days' care in convalescent homes.

In May, 1949, State crippled children's agencies reported to the Bureau that they knew of 30,000 children needing care for whom no funds were available to purchase that care.

Personnel Employed by State Programs

One great lift which Federal contributions make to State and local programs for maternal and child health and crippled children's services comes from the additional full- or part-time personnel made possible by this money. In the fiscal year 1949, Federal funds, plus matching State funds, made possible the employment on maternal and child health programs of the following State or local workers: 821 physicians, 3,015 nurses, 129 nutritionists, 336 dentists and dental hygienists, 44 medical social workers, 31 health educators, and 86 other specialists, making a total of 4,462 workers. Federal and State matching funds for crippled children's services covered salaries for these full- or part-time State or local workers: 407 physicians, 396 nurses, 4 nutritionists, 6 dentists and dental hygienists, 112 medical social workers, 10 health educators, 124 physical therapists, 22 occupational therapists, 22 speech therapists, 12 psychologists, and 39 other specialists, a total of 1,154 workers.

Liquidation of the Emergency Maternity and Infant Care Program

Midnight of June 30, 1949, marked the end of the greatest public maternity care program ever undertaken in the United States. At that moment, the emergency maternity and infant care program, which during its 75 months of existence had contributed greatly to building and maintaining morale among the armed forces and to enlarging the experience of public health departments and medical workers in cooperative efforts to save the lives of mothers and infants, passed into history.

Launched by unanimous action of Congress in March, 1943, the emergency maternity and infant care program undertook to provide complete maternity care for the wives of enlisted men in the four lowest pay grades of the armed forces and of aviation cadets, and medical, nursing, and hospital care for their infants up to one year of age. The Federal Government paid the entire cost of care which was authorized by State health departments and given by private physicians chosen by the patients themselves. Liquidation of the program was begun, at the direction of Congress, on July 1, 1947.

During the lifetime of this program, State health departments authorized care for more than 1,454,000 maternity and infant cases. At its peak in 1944, over 488,000 cases were authorized in one year. In its final year, no maternity cases and only 1,200 infant cases were authorized.

During the months of its greatest activity, nearly half of all the physicians and 90 percent of the Nation's registered hospitals, other than those for tuberculosis, nervous and mental diseases, cooperated in this program. Its success was due both to the cooperation of doctors and hospitals across the land and to the untiring efforts of State health departments.

DEVELOPMENTS IN CHILD WELFARE

The Children's Bureau has always recognized that both public and voluntary agencies make important contributions to child welfare, and that all facilities should be developed and used to the fullest extent to help meet the needs of children. It has accepted as basic that in every State there should be a comprehensive program of child welfare; that extension of both public and private services is necessary in many areas where adequate resources do not exist; and that private agencies operating under approved standards should have the fullest opportunity for development. To bring this about, community planning for child welfare on the part of both public and private social agencies is necessary.

Private agencies are concentrated largely in urban areas and for the most part serve children of a particular faith, age, race, or with some special type of problem. While they give invaluable leadership in many ways in improving conditions for children, and carry a heavy load, they are the first to admit that they cannot do the whole job of reaching all children who need child welfare services.

Lacking a complete national count of the services of private agencies, the report that follows is concerned primarily with developments in public services, with special emphasis on those that are aided by Federal grants.

Federal grants to the States for extending and improving child welfare services account for $3.5 million of the annual $22 million authorized by the Social Security Act for the promotion and extension of child health and welfare programs. Each State receives $20,000 and shares in the balance according to the proportion of its rural population to the total rural population. To take advantage of this help from the Federal Government, each State must assume some of the cost of services in local areas, although no fixed amount of Federal funds must be matched. States expend from their own and local public welfare funds considerably more than the amount of the Federal contribution to their child welfare programs.

Many States reported that rising costs of administration and of maintenance of children were pressing hard against their budgets, and in some instances necessitated curtailing services. Few could look forward to expanding their programs in the new year.

Toward Better Child Welfare Services

SERVICES TO CHILDREN IN THEIR OWN HOMES

Reaching children before their troubles become so serious that they must be removed from their own homes is a major objective of child welfare services everywhere. Four out of every 10 children served by public agencies in 1948 were living with parents or other relatives; 4 were in foster family homes; and 2 were living in children's institutions or elsewhere.

There has been a growing interest in homemaker services as a way of holding families together when the mother must go to the hospital or is ill at home. Some State welfare departments are using Federal funds for this type of service in rural counties where it has already demonstrated its value. The National Committee on Homemaker Service and its member agencies, with whom the Bureau works closely, are assuming responsibility for advising on new programs, and many councils of social agencies have appointed committees to consider how this service may be developed locally, sometimes in cooperation with public health agencies.

SERVICES TO UNMARRIED MOTHERS AND THEIR INFANTS

More than 100,000 babies are born each year to unmarried mothers. The problems of these mothers and their babies add up to a sizable social concern to many public and private child welfare agencies. The best of them work out plans which fit the individual needs of each mother and baby. They make sure that each one gets good medical and nursing care. Their case workers help mothers plan their own and their babies' future deliberately and without fear. Many social agencies are able to help unmarried mothers in their own homes. For some, they find foster homes. Maternity homes meet the needs of other expectant mothers. There are some 200 maternity homes in the country, located usually in big cities. All but 2 are privately supported. During the year the Bureau gave consultation to local citizens' committees on unmarried mothers and to many maternity homes.

CONFIDENTIAL BIRTH RECORDS

Confidential details in birth records will be kept from prying eyes in the future, if States adopt a proposed new birth registration procedure which was worked out during the year by the American Association of Registration Executives and the Council on Vital Records and Statistics. The new procedure has the endorsement of the National Office of Vital Statistics and the Children's Bureau.

Designed to protect the legitimate privacy of all citizens, the recommended new practices will be of special benefit to children who are born out of wedlock, who are adopted, or whose parents happen to be in an institution at the time of their child's birth.

To put these improvements into effect, new legislation will be required in some States. In others, all that is needed is a change in present regulations. The following States, Territories, and cities have already instituted the use of birth cards: California, Connecticut, Georgia, Mississippi, Nebraska, Nevada, New Hampshire, North Carolina, Ohio, Oregon, South Carolina, Tennessee, Washington, Hawaii, Puerto Rico, Denver, Houston, New Orleans. Florida, Illinois, Iowa, Louisiana, and Texas will be using birth cards by 1950.

SERVICES TO CHILDREN OUTSIDE THEIR OWN HOMES

The great need for foster homes for children who cannot be cared for in their own homes and for additional funds with which to develop such homes becomes more apparent each year. In many places private funds have been so limited that pressure on public agencies to develop foster family care is greater than ever before. Public funds now available for foster care come principally from the States and localities. In 1947, for the first time, plans were worked out by the Children's Bureau and State agencies for the limited use of Federal child welfare service funds in paying cost of temporary care of certain children in foster family homes. In 1949, 12 States budgeted Federal funds for this purpose.

Few increases in State funds for foster care were reported in 1949. Wide variation exists in the amounts of money that are spent by the States for foster family care facilities. A study made by the American Public Welfare Association in 1948 showed that out of a total of $7.7 million spent for foster family care by public welfare agencies in the 26 States reporting, 44 percent was spent by one State—New York. Four States—Idaho, Mississippi, Nevada, and Wyoming—each spent less than $17,000 for such care in 1947.

In a number of communities, children needing foster family care are being placed on waiting lists because there is not enough money to take care of them. Some States have had to close or restrict intake or have had to discontinue providing for some of the essential needs of children in foster homes, such as clothing. Board rates still fail to compensate foster parents adequately for the expense of maintaining their foster children. There is a growing recognition that higher rates must be paid if desirable homes are to be obtained, but rates have increased only very slowly and very spottily.

Emphasis was placed by some States during the past year on improving the quality of foster family care through revision of standards and staff training. Private agencies, too, in several areas are reported to be employing additional trained personnel. The basis for some improvements was laid, also, by some State legislatures in 1949. Tennessee, for example, passed an act enabling county courts to establish receiving homes for children and to provide for cooperation with local public welfare departments in the use of boarding homes for children. Louisiana's legislature authorized the use of State funds for subsidizing boarding homes, particularly for children awaiting court action.

ADOPTIONS

Stimulated greatly by the continued widespread publicity on "black markets in babies," the movement to encourage or require the use of child-placing agencies for all adoptions grows slowly but surely. Many of the 44 State and Territorial legislatures meeting in 1949 either passed new or amended existing adoption legislation. A number of these measures were influenced by the Bureau's "*Essentials of Adoption Law and Procedure,*" which represents conclusions reached after years of study and observation of State legislation and agency practices, and of consultation with adoption specialists from private agencies and public welfare departments.

Among the States reporting legislative advances was Colorado whose new law now requires mandatory pre-adoption investigations and improves legal relinquishment and consent provisions. Montana passed a law providing for licensing adoption agencies, amended its statutes in regard to consent to adoption, and added safeguards in the adoption of a deserted or an abandoned child. Tennessee passed an adoption act that places full responsibility upon county departments of welfare for making studies of adoption petitions prior to final action by the courts. Texas expects that amendments to its licensing law, passed by the 1949 legislature, may have a controlling effect on the number of independent placements that continue to be made there.

Other advances were made in adoption services. Oklahoma and Arkansas, for instance, made particular efforts during the year to place older children in adoption, especially children who had long-time care in institutions for dependent children. In Ohio a State adoption clearing service was established within the State Children's Services to serve as a referral center for infants not placeable in the counties of their birth and for applications for prospective foster parents whose requests cannot be met in their home communities.

Child welfare agencies, both public and private, continue to be concerned over the lack of foster homes for Negro children and other children in minority groups. The desire of many individuals to adopt children of foreign birth involved the Bureau during the year in many consultations with public and private agencies.

INSTITUTIONAL CARE

Progressive institutions are becoming more conscious of their responsibility for the emotional and social growth of children under their care. Special treatment services are being provided more frequently. Montana is one of the States whose child welfare agency is giving leadership to institutional personnel in improving services and helping them to focus their efforts on meeting the individual needs of each child. Some States are showing more appreciation of the value of case-work services within the institution, with the child's own family when the child is being admitted, and when he returns to his home. South Dakota's Child Welfare Division is giving increased case-work service to children in State institutions. Oklahoma, Louisiana, and Arkansas are extending child welfare services to State institutions and training schools.

Day care.—Since the withdrawal on February 28, 1946, of Federal funds under the Lanham Act for day care of children of employed mothers, the number of day care centers receiving support from public funds has been decreasing every year, notwithstanding the continued high employment of mothers with young children. In 1948, there were only 4 States and the District of Columbia where State financial aid was forthcoming. In California, Washington, and Massachusetts these funds were available through State boards of education, in New York State through the State Youth Commission, and in the District of Columbia through the Board of Public Welfare. A few scattered cities, such as New York City, Philadelphia, Kalamazoo, and Denver, provided local public funds for this purpose.

Various citizen groups, such as the Michigan Council of Women in Business and Industry, are continuing their efforts to get public support of day care programs, but with little success to date.

JUVENILE DELINQUENCY

At least 275,000 boys and girls, it is estimated, appeared before juvenile courts as delinquents during the year. This represents about two-thirds of all cases which these courts handle. The remaining third are cases of children who are dependent or neglected or require some other special action. Approximately half the juvenile delinquency cases are disposed of without formal judicial action. On the basis of reports from 212 courts, it appears that the volume of juvenile delinquency cases decreased from 1946 to 1947 at the rate of about 12 percent.

An analysis by the Bureau of delinquency cases in juvenile courts over the 10-year period 1938 through 1947 shows that the trend in juvenile delinquency, as evidenced by such cases in a limited number of comparable courts, is definitely on the downgrade from its wartime peak. Throughout the 10-year period, there was no significant change in offenses alleged against children brought before the courts. Of all juvenile court cases reported, 38 percent in 1938 and 43 percent in 1945 involved detention care for one or more nights. The majority of children who are detained are cared for in specialized detention homes, but many children are still kept in police stations and common jails.

Recently, courts seem to be resorting somewhat less frequently than in former years to committing children to public institutions. In 1938, 10 percent of the boys' delinquency cases and 16 percent of girls' cases reported to the Bureau were disposed of by committment or referral to State training schools and other public institutions. By 1945, the corresponding percentages were down to 8 and 12. This adds up, nevertheless, to some 20,000 children who are presently being turned over to public institutions each year where many of them stay for more than a year.

There is a definite trend toward the central administration of State services for delinquent youth.

From almost every region in the country reports were received during the year of increased awareness of the need to improve institutional standards for the care of delinquent youth. Louisiana's Department of Public Welfare assigned trained child-welfare workers to the training school for Negro youth, and plans are under way to do the same for the training school for white girls. In Arkansas, the Governor directed that a study be made of all training schools for boys and girls and requested help in this from the State's child welfare division and the Arkansas Council for Children and Youth. In Texas, the Training School Code Commission, created by the 1947 Legislature, made its report to the 1949 Legislature, and a bill was passed which created the Youth Development Council to coordinate preventive and treatment services for delinquent children and to administer the State training schools. Greatly increased interest in State training school programs has been shown in a number of States, notably Colorado, Utah, Kansas, and Missouri.

Again, deficiencies in service to children of minority groups show up in provisions for these children with behavior problems.

Children Receiving Service From Public Welfare Agencies

At the close of 1948, 223,000 children were reported as receiving service from State and local departments of welfare. For the country as a whole, this means about 5 out of every 1,000 were getting some kind of help from these agencies. In individual States, the proportions varied from one to 15 per 1,000. States with lowest rates of children served were concentrated in the Southern region of the country which, as a group, reported 3 per 1,000 as compared with 5 in the West and 6 in the North.

Children living in public institutions for dependent and neglected children, at the end of 1947, were estimated at 14,000. An earlier study, covering 1943, indicated that all children in *public* and *private* institutions for dependent and neglected children totaled 103,000, with about 13 percent of these in public institutions. Whether in 1947 the same proportions held as between the two categories of institutions is not known.

Personnel and Staff Development in State Programs

Small signs of improvement in the personnel situation are beginning to show. On June 30, 1948, 3,629 full-time public child welfare employees were employed by 53 States, including Territories and possessions. This was a 12 percent increase over the previous year. Of these full-time workers, 931 were paid in whole or in part from Federal child welfare service funds. In addition, 3,621 public employees who were primarily responsible for other welfare programs devoted part of their time to child welfare. Federal child welfare funds contributed to the salaries of 119 of these employees. From these figures it is seen that the great majority of public child welfare workers, both full or part-time, are paid from State and local funds entirely.

Child welfare case workers made up three-fourths of the total number of full-time public child welfare employees reported on June 30, 1948. Although progress has been made in extending child welfare services to rural areas, these workers are still concentrated in relatively few States, and in urban areas. More than half the full-time child welfare case workers reported in 1948 by the 53 jurisdictions were concentrated in 8 States, and close to 45 percent of all full-time workers were clustered in 66 counties which have cities of 100,000 or more population.

Recruitment of new workers is easing personnel difficulties slightly

An increasing number of States have worked out careful plans for staff development. As a part of staff development programs, 13 States budgeted Federal funds for 97 workers receiving orientation to the field of social work prior to educational leave for study in a school of social work and 3 States budgeted funds for 42 workers receiving concentrated supervision after educational leave. Federal funds may also be used for providing supervisors in field work training units in schools of social work. Twelve States in 1949 provided from Federal funds 19 positions for supervisors of such training units, as against 9 States with 14 such positions the year before. The Bureau issued, for the help of State agencies, a bulletin on "State Programs for Staff Development in Child Welfare."

RESEARCH AND REPORTING

The Bureau's mandate from Congress to investigate and report "upon all matters pertaining to the welfare of children and child life among all classes of our people," contained in the act of 1912 that created the Bureau, is a broad directive. With the limited staff available for such investigations and reports, not many areas can be covered each year, and few can be worked intensively.

On the recommendation of its research advisers, the Bureau created in 1948 a Clearinghouse for Research in Child Life, as one of the most effective ways in which it might help in this broad field. The purpose of the Clearinghouse is two-fold. First, it provides investigators with a central source of information about research projects that have been initiated but not yet concluded. Such information does not in any way duplicate reports of completed research which appear regularly in professional journals. The second purpose is to provide the Children's Bureau with a factual basis in planning and making suggestions on additional research needed—whether undertaken under public or private auspices.

During its first year, the Clearinghouse assembled reports of 1,500 studies relating to the emotional, mental, social, and physical problems of child growth and development. These reports were contributed by workers in universities, schools, child welfare stations, professional organizations, and other research centers throughout the country.

Among the projects reported, those concerned with measurement of personality outnumber any other group. These studies of techniques of personality measurement are concerned for the most part with the diagnosis of emotional disturbance. Many investigations are underway into the physical, intellectual, and emotional problems involved in learning, both in and out of school, for normal, physically handicapped, and mentally deficient children. Investigations of racial and cultural factors are frequently concerned with community and family customs and practices and their effect on children. Evaluation of services to children, mainly in the fields of health and welfare, is a fourth category in which many research projects are progressing. Studies of foster care are numerous. Abnormal births, such as stillbirths, premature births, and congenital malformations, especially in reference to the diet and health of the mother before delivery, are still another area of current research, and a number of long-time studies of the development of children from infancy to adulthood are under way.

Many thousands of parents turn to the Children's Bureau each year for advice and guidance on problems related to the growth and development of their children. These requests for information, in many instances, can be most efficiently and satisfactorily met by publications. In the preparation of these publications, the Bureau's research staff draws on its own investigations in various fields and on the large body of completed research by all kinds of public and private institutions, universities, and centers.

During the year, the Bureau received 314,380 requests for information or publications, and distributed a total of 2,151,140 publications. A great proportion of these were the Bureau's "Bulletins for Parents," a series of 5 covering the life span of a child from conception through adolescence. This series was completed in 1949 with the publication, for the first time, of the bulletin "Your Child from Six to Twelve." A complete revision of the first bulletin of the series, "Prenatal Care," first issued in 1913 and revised various times since, was released during the year. In addition to the bulletins for professional use, mentioned earlier, the following were prepared or published: "Premature Infants: A Manual for Physicians," "Childhood Mortality from Rheumatic Fever and Heart Disease," "Juvenile Court Laws in Foreign Countries," "Guardianship: A Way of Fulfilling Public Responsibility for Children," "Essentials of Adoption Law and Procedure," "Confidential Nature of Birth Records," and "Trends and Developments in Public Child Welfare Services."

STATE AND NATIONAL PLANNING FOR CHILDREN AND YOUTH

State and local planning for children and youth represents, at least in some regions, the brightest spot in the year's picture of child welfare. At the close of the year, State committees or commissions were active in 36 States and one Territory. Functions of these committees, like their organization, authority, and methods of financing, vary widely. Almost universally they represent a teaming together of public and private organizations for the improvement of health, welfare, education, recreation, and other services for children and youth. Many have on their agenda preparatory work for a Midcentury White House Conference.

At its annual meeting in February, 1949, the National Commission on Children and Youth, including among its 145 members representatives of 70 national organizations and professional associations, gave its major attention to plans for the proposed Midcentury White House Conference. The Commission adopted a report, *Moving Ahead for Children and Youth*, which points out specific advances that can be made through governmental and voluntary action.

The Interdepartmental Committee on Children and Youth, created in 1948 by the Federal Security Administrator at the request of the President and including members from all Federal departments and agencies with programs for children, made as its major project of the year an inquiry into Federal agency objectives in programs for children and youth. Results of this inquiry will be used as a basis for promoting better coordination of services among the Federal agencies and for consideration by the White House Conference. Members of the Interdepartmental Committee are from the staffs of the Departments of Agriculture, Interior, Justice, and Labor; the National Military Establishment; the Administrative Office of the United States Courts; the Federal Security Agency; the Housing and Home Finance Agency; the Selective Service System; and a consultant from the Bureau of the Budget.

A Joint Interim Committee, made up of representatives from the National Commission on Children and Youth and the Interdepartmental Committee on Children and Youth, developed recommendations on the proposed Midcentury White House Conference on Children and Youth. These recommendations, which incorporated suggestions from many national health, education, recreation, and social welfare organizations, labor, farm, civic, and church groups, and outstanding individuals who were consulted during the year, were transmitted to the Federal Security Administrator and to the President of the United States.

It is expected that the Midcentury Conference will be held in the latter part of 1950. In the intervening months, a National Committee, appointed by the President, will give general direction to preparatory work, aided by the Interdepartmental Committee on Children and Youth, and supported by a White House Conference staff attached to the Children's Bureau and made possible by a special appropriation of the Congress.

INTERNATIONAL COOPERATION

International problems relating to children increasingly challenge the generosity and ingenuity of citizens in this country as knowledge of these problems and instruments for dealing with them are sharpened.

An important concern of the Bureau during the year was assisting in the placement of unattached European children coming to this country under the Displaced Persons Act of 1948. The Bureau was responsible for designating the agencies to whom admitted children may be referred. From October 1948 to March 1949, the United States Committee for the Care of European Children, the official agency for bringing into the country children qualified under the Displaced Persons Act, had brought over 225 children. As protection for these children, the Bureau prepared and distributed to approved agencies a statement of standards for their care, in foster homes under child caring agencies, in temporary reception centers, and in other types of group living arrangements.

Since 1941 the Children's Bureau has been one of some 50 Federal agencies participating in a broad program of international cooperation sponsored by the Department of State and coordinated through the Interdepartmental Committee on Scientific and Cultural Cooperation. During the year Bureau consultants, working under this program in Latin America, directed their services both to welfare agencies and schools of social work in Brazil, Chile, Colombia, and Haiti. In the health field, assistance was given to Ecuador and to the Mexican-U. S. Border Public Health Association.

Study programs were planned for specialists from Peru, Ecuador, Guatemala, and Mexico and for 17 United Nations fellows from China, India, the Philippines, New Zealand, the Netherlands, and Denmark. Six German specialists interested in social services to children and youth came to the Bureau for special training. In addition, 205 foreign visitors from 43 countries, many of them officially sponsored, visited the Bureau for special observation and program planning.

The Chief of the Children's Bureau continued throughout the year to serve as a member of the Executive Board and Programme Committee of the United Nations International Children's Emergency Fund. The scope of the Fund's activities has been extended to include assistance in relief work in the Middle East for Arab and Jewish refugees, in cooperation with the United Nations Palestine Relief Administration, extension of programs in Asia and development of projects for Central and South America. Countries of North Africa—Algeria, Egypt, Morocco, and Tunisia—and, in the Middle East, Israel and Lebanon, are included in the Fund's BCG anti-tuberculosis vaccination program. By April 1949 UNICEF had made 400 transoceanic shipments totalling more than a quarter of a billion pounds of foodstuffs. Of that amount, more than one-half, or some 165,000,000 pounds, was milk. Besides food, the Fund shipped nearly $4,000,000 worth of cotton, wool, leather and hides; and nearly $600,000 in medical supplies. Supplies are drawn from countries all over the world. As of the same date 24 countries were participating in the BCG campaign against tuberculosis.

With the assistance of a member of the staff of the Social Service Division, the Chief of the Bureau completed an assignment as Chairman of U. S. working party on juvenile delinquency set up by the Division of Social Activities of the United Nations. The Bureau also cooperated in the work of the Social Welfare Subcommittee of the Interdepartmental Committee on International Social Policy.

Early in 1949, Dr. Martha M. Eliot, Associate Chief, was made available to the Office of Military Government for Germany (U. S.) for initiating planning of a survey of child health and child welfare needs in the United States Zone of Germany. She was assisted by Dr. Jessie M. Bierman, School of Public Health, University of California, Berkeley, California, and Mr. Gunnar Dybwad, Supervisor, Children's Division, State Department of Social Welfare, Lansing, Michigan. Recommendations were made to the Military Government authorities in the United States Zone of Germany. The Associate Chief of the Bureau presided over a meeting of the Expert Committee on Maternal and Child Health of the World Health Organization in Geneva in January and as adviser to the United States delegation attended a meeting of the Executive Board Committee on Administration and Finance of WHO in February. On June 1 she resigned from the Children's Bureau to become Assistant Director General of the WHO. The Bureau will continue to cooperate with WHO in activities relating to maternal and child health.

RECOMMENDATIONS

As a people we have set our sights high for our children, and in many ways we have not failed them. Great numbers of children in our country have advantages for sound growth that no earlier generation had and that exceed those in any other large country. But many children never have even a look at decent living. Much that we know about the needs of human beings in their formative years is put into excellent practice for some children, while it scarcely touches the lives of others. We know fairly well the work load that doctors, nurses, social workers, and other children's workers can carry, but we continue to expect too few of them to do too big a job and give too few of them help in getting the specialized training they should have. The first half of this century has demonstrated the near miracles that health promotion services can accomplish in saving lives and reducing illness in children, but we provide such services for few children outside metropolitan areas. We spend great sums for the care of victims of emotional illness, but only a pittance to learn more about the causes of such sickness.

These are not new observations. They have been made many times before. What makes then particularly challenging at this time is the enormous increase in our child population, especially of very young children. If we are going to move closer to the goal of a good start and a fair chance for all children, and not simply stand still, we have an even greater job to do. For services need not only to be multiplied but in many areas to be modernized, too, in the light of the new understanding of the interrelationship of emotional and physical factors in human growth and of the interaction of environmental influences on personality development.

This is a challenge to all the people, working as parents and neighbors, as contributors to and supporters of the many valuable private organizations concerned with children, and as stockholders in local, State and Federal governments. No one approach has a monopoly of the "know how." No one can "go it" alone. In fact, one of the devices by which gains in behalf of children could and should be speeded up is closer teamwork between individual citizens, private agencies, and public services. Many fine examples of close collaboration already exist.

The Federal Government has a particular responsibility for helping both to increase the availability and improve the quality of children's services. It can help to even up the discrepancies between the States and communities in their capacity to meet the needs of their children, many of whom, when they are grown, will move on to live and work in and possibly become charges on other regions and other States. From its national vantage point, the Federal Government can do much, too, to help in stepping up the quality of service. It can do this through demonstrations of good services that can become models for States, communities, and organizations. By observing the outstanding achievements of one State or community or agency, and making them known to others, it can spread a knowledge of good methods. By opening more doors to schools and training centers for more professional workers and stimulating the organization of specialized training opportunities for graduate workers it can develop better services. The search for new knowledge and new ways of testing effective methods of working sometimes encounters handicaps that Federal aid could help in overcoming. Many broad studies of child growth and development, which would otherwise never be undertaken, could best be done by the Federal Government.

If we are not to continue to deny to some children the chance they need for a safe, healthy, and wholesome childhood simply because they happen to be born in one State rather than another, or to one family rather than to another; if we are not to be satisfied with second quality service when first quality is possible with the expenditure of reasonable increases of funds, then we should focus attention on three major areas of need.

Improved Services

The Social Security Administration holds that the present limitation in annual appropriations of $22 million for grants to the States for child health and welfare services is unrealistic. This sum reflects neither the need of States for help nor the capacity of the Federal Government to give help.

In the case of *health services*, which now receive $18.5 million of the $22 million total, the States report to the Children's Bureau that they could put to good use at least $50 million in the coming year. That sum should be made the floor under all future Federal contributions. After an initial year at this rate, the Congress should review the situation in the States each year, and appropriate whatever Federal funds which, together with State funds, the States demonstrate they can use effectively in progressively expanding and improving their services until they reach all children in need of them.

Half the $50 million of Federal grants for child health services should go to extending and improving maternal and child health services. Each State has its own special need for help in developing these services, but many want to use expanded funds for a major attack on the last great front in the battle against infant mortality: deaths due to premature birth. If any appreciable advance is to be made in this field, programs must include the prevention, detection, and treatment of abnormal conditions in the mother before and during pregnancy; care of prematures during delivery and the neonatal period; and continuing care until the premature infant catches up with his age-mates in physical, social, and emotional development. Physicians and nurses will require special training, and premature units and centers in hospitals will have to be staffed, equipped, and maintained.

Extension of health services to children of school age is also urgently needed, to insure that these children are protected from infections and conditions which interfere with proper growth and development, and that any physical or emotional handicaps they have are removed or relieved so that they can realize their full potentialities.

Another area in which the States are impatient to press ahead is in providing treatment for more crippled children. The other half of the $50 million should go to State crippled children's agencies. The situation in these State programs, as reported to the Bureau, has assumed the proportion of a national tragedy. Many States have had to take drastic steps to limit their crippled children's services because funds have not kept pace with mounting hospital costs. Some are accepting no new cases at all. Others are taking on only the most urgent cases. Some find themselves forced to send children home from hospitals and convalescent homes before they should go; others, to refuse to provide braces that are needed. Itinerant clinics, which used to serve children in outlying areas, have had to be discontinued in various States. Another year should not be allowed to pass while the 30,000 crippled children now known to State crippled children's agencies wait for relief from their suffering.

In the case both of maternal and child health services and of services for crippled children, allotments to States should be on the basis of the number of children in each State, its per capita income, and special conditions in the State that affect the job to be done. States should be required to match Federal funds by a sliding scale that takes into their per capita incomes. As in the present consideration programs under title V of the Social Security Act, the Federal Security Administrator should be authorized to make regulations, after consultation with State agencies, and approve State plans for the use of Federal funds. Expansion of State programs should be encouraged as fast as qualified personnel and facilities are available. Each State agency administering a program should appoint and consult at regular intervals an advisory council, composed of representatives of public and private agencies and organizations administering related programs, of professions furnishing services under the program, and of the general public. Up to 10 percent of the proposed $50 million and whatever amounts are subsequently appropriated annually by Congress should be available to the Federal Security Agency for demonstrations, studies, training, and special assignments of its staff, and for administration.

Obviously, any expansion which is undertaken in Federal aid for local health services, the construction of hospitals and health centers, and other health services, facilities, and personnel for the whole population will provide a stronger framework within which services for children can develop. Every gain we make in the health and wellbeing of all the people brings its benefits, directly or indirectly, to children. But because children have special health needs, there must be special provision for assuring them special care.

The present statutory limitation of $3.5 million in Federal grants for the improvement and extension of *child welfare services* should also be removed, and in its place a floor of at least $12 million be placed under annual grants from the Federal Government for this purpose. Subsequent annual grants should be determined on the basis of the demonstrated need of the States. The combined efforts of public and voluntary agencies still leave many areas completely without services, and other areas—cities as well as rural districts—where services are available on a very limited scale. Many private agencies have indicated that expansion in public services is necessary if all children who are dependent, neglected, homeless, and delinquent are to be helped or cared for. Grants-in-aid to State public welfare agencies place particular emphasis upon child welfare services in rural areas, but even with 14 years of such a program, approximately 4 out of every 5 counties still do not have the full-time services of a child welfare case worker paid from public funds. When a child welfare worker is not available, communities often have to make second and third-rate plans for their children in trouble.

Evidences of neglect of children with serious social and emotional problems show how urgently larger Federal funds are needed. Many instances are reported of children who have been ordered by the courts to be removed from their own homes because they were neglected or abused but who have had to continue to live under these dangerous conditions because there was no trained worker to find a better place for them to go.

Some parents who are aware that their children are developing serious behavior problems have no place to turn for help. In many communities, courts have no organized probation services, and no persons skilled in making suitable plans for children. Superintendents of training schools of delinquent children frequently state that very young children and children whose problems are not sufficiently serious to warrant commitment to institutions for delinquents are sent to them. Many of these children need not have been removed from their homes at all if the parents and the community had been able to turn to a trained child welfare worker for help in meeting the child's problem. In a number of communities, children needing foster family care are being placed on waiting lists because there is not enough money to take care of them. Over 50,000 children, it is estimated, are detained in jail every year. Some 25,000 children who have run away from home are dealt with by juvenile courts each year, and States have few resources for doing something for these youngsters. The Bureau knows of no State or county which feels that it is meeting satisfactorily the problem of juvenile delinquency.

Expanded and improved child welfare services would offer constructive means for meeting many of these problems, and others like them. State child welfare agencies would probably put greatest emphasis, when larger Federal grants become available, on providing better foster care, principally in foster family homes, for children who cannot be helped in their own homes; on providing additional trained workers in areas not now reached; and on financing better detention and emergency care and the return of runaway or other non-resident children.

As in the case of maternal and child health workers, there is keen awareness among child welfare workers of the values to be gained when their services are intimately related to programs affecting all age groups. Public social services to children should be part of a strong public welfare program. There must be maximum use of the contribution of both public and voluntary agencies in moving toward their common goal of making available to every child the care he needs.

Better and More Personnel

Another great need that must be met, if health and welfare services are to be fully available to all children in need of them, wherever they may live and whatever the circumstances of their families, is an increase in the number of workers trained specifically for these services, whether they are provided publicly or privately. The evidence of the American Academy of Pediatrics that the child population is 5 times greater per physician in some States than in others gives some measure of the need of more personnel in this field. Desirable norms in the number of child welfare workers who should be available for every 1,000 children are harder to arrive at. But when some State child welfare agencies report that the proportion of children receiving services is 10 times as big in some areas as in others, the presumption is inescapable that the need for more of these workers is great. Deficiencies in the number of children's workers are not limited to these professions. Across the board, the plea from private and public agencies is for more nurses, nutritionists, physical therapists, occupational therapists, psychiatrists, psychologists, medical social workers, and special consultants in foster care, group work, institutional care, and the other specialities in the social service field.

Public investment in education for all the health and welfare professions, and financial assistance to enable qualified young men and women to undertake the long and expensive training which many could not otherwise afford, are first requisites. But since the care of children is both qualitatively and quantitatively different from the care of adults, even graduate physicians, nurses, medical social workers, and other health workers should have additional specialized training if they are to function effectively for children. In line with the newer awareness of the need for children's workers to deal with the whole child, and not only with his immediate and acute ache or pain, training courses should be broad in scope, giving students an acquaintance, at least, with the content of allied social sciences as they relate to child growth and development.

Intensified Research in Child Life

Parents and others having responsibility for children are constantly seeking knowledge about how they can approach more constructively the day to day problems of child rearing. At present, much more is known about the physical care of children—how they should be fed, how they can be protected from disease—than about the effect of the relations of a child with his parents, his teachers, and others, and about his ability to get along with himself. The big frontier in research, as far as children are concerned, is their emotional and social growth. Professional workers are in urgent need, too, of new light on these aspects of human development. At every turn, the lack of such knowledge affects immediately the quality of care such workers can provide, and ultimately the cost to society of individuals whose twisted and sick personalities and emotions lead to anti-social behavior.

The vast majority of research projects that should be undertaken in this field should be carried on by groups and individual workers in their own research centers. Some other types of research that require study on a Nation-wide scale or that have Nation-wide significance to State and community programs for children and mothers can best be undertaken by a central organization such as the Bureau. Both kinds of research, however, call for strong financial backing if significant progress is to be made in this most difficult field.

The Social Security Administration, therefore, recommends that Federal support of research in child life be increased by $10 million the first year, and by as much thereafter as the Congress shall determine, and that authority be given to make grants from this sum to universities, schools, child research centers, agencies, and individuals. Work should be started immediately on some of the factors and practices in child bearing and early infancy related to the physical, social, and personality development of the child.

Federal Credit Unions

PROGRAM OPERATIONS

The practice of usury is believed to be older than recorded history. In Italy during the 15th century and in Germany during the social revolution of 1848, to name only two scattered instances, community leaders interested in the welfare of poor people instituted plans for providing credit at reasonable rates. From these early beginnings a plan gradually evolved whereby a group of persons could pool their savings to provide a fund from which they might obtain consumer-type loans. In 1900 such cooperative thrift and credit societies were introduced by Alphonse Desjardins in Canada, where they were called "Peoples Banks."

When such organizations were initiated in the United States, the term "credit union" was used to designate them. Massachusetts enacted a law in 1909 which provided for the chartering of credit unions and is usually considered the beginning of the credit union movement in the United States. Between 1909 and 1934, when the Federal Credit Union Act was passed, 38 States and the District of Columbia adopted legislation to charter credit unions. Operating under these laws at the end of 1934 were approximately 2,450 credit unions, with 427,000 members and $35.5 million in assets. The general provisions of the Federal Credit Union Act are similar to those of many of the State laws and are based on the best experience over the preceding quarter century.

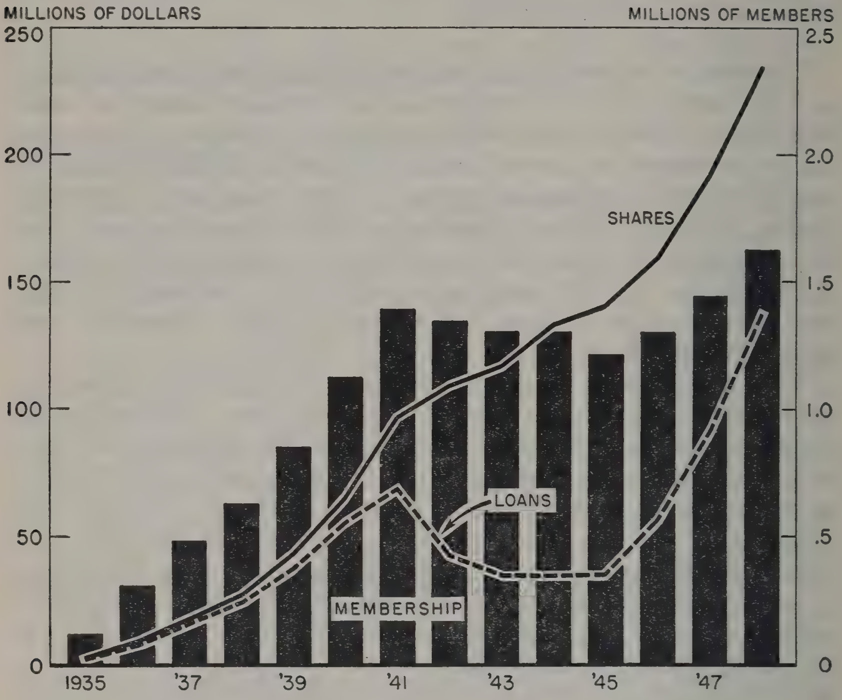
At the end of the fiscal year 1949, credit union laws existed in 44 States, the District of Columbia, and Puerto Rico. As of December 31, 1948, the latest date for which complete data are available, the 5,270 State-chartered credit unions, with more than 2.1 million members and total assets of $443.4 million, were operating under these laws. As in the banking system of the United States, these State credit unions are wholly independent of the Federal credit unions discussed below.

DEVELOPMENT OF FEDERAL CREDIT UNIONS

The Federal Credit Union Act became law on June 26, 1934. The purposes of this Act were "to establish a Federal Credit Union System, to establish a further market for securities of the United States and to make more available to people of small means credit for provident purposes through a national system of cooperative credit, thereby helping to stabilize the credit structure of the United States." The Farm Credit Administration was designated as the agency responsible for carrying out its provisions. By Executive Order, effective May

Chart 20.—FEDERAL CREDIT UNIONS

Membership and amount of shares and loans



16, 1942, administration of the Act was transferred to the Federal Deposit Insurance Corporation where it remained until the Bureau of Federal Credit Unions was established.

Federal credit union charter Number 1 was granted in October 1934. The number of Federal credit unions increased rapidly until 1941, when the war caused a decline in the rate of organization and an increase in the number of liquidations. The number in operation declined from 4,144 on December 31, 1941, to 3,757 at the end of 1945. Since 1946, the number of Federal credit unions has increased each year, and 4,058 were in operation at the end of 1948.

Shares, which represent the savings of members in their Federal credit unions, have increased each year since the Act was passed. As of December 31, 1948, shares totaled more than $235 million. The growth in membership from 118,665 in 1935 to 1.6 million at the close of 1948 was made in spite of a net decrease of 180,000 members during the war years. Average shareholdings per member increased from $19 to $144 during the period. Although these amounts are small, they are important to the individuals concerned, and in many cases represent their first successful efforts to save money. Federal credit unions promote thrift by providing convenient facilities and by accepting share payments as small as 25 cents per month.

Federal credit unions are permitted by the Act to make loans to their members. The maximum maturity for such loans is two years and the interest rate may not exceed one percent per month on the unpaid balance, inclusive of all charges incidental to making the loan. From 1934 through 1941, the percentage of assets outstanding in loans to members was never less than 66 percent. During the war years, loans to members declined to a low of 23 percent of total assets at the end of 1945. With conversion to peacetime activities and increasing availability of consumer goods, the volume of loans increased rapidly. At the close of 1948, loans outstanding to members amounted to $137.6 million or 53.3 percent of total assets. The average loan granted during 1948 was $227, an all-time high. A survey was conducted to determine the purposes for which Federal credit unions granted loans during the calendar year 1948. It disclosed that 16 percent of the number of loans were for current living expenses, 15 percent were to consolidate debts, 15 percent were to pay hospital and medical bills, and 15 percent were to finance the purchase of durable consumer goods. The total amount of loans granted from 1934 to December 31, 1948, exceeded $1.3 billion. Of this amount, $1.9 million or 0.15 percent was charged off as uncollectible by the boards of directors of the Federal credit unions concerned.

The growth in the size of Federal credit unions has been gradual and shows the strengthening of the established organizations. In 1935 only 0.1 percent of all Federal credit unions had assets of $100,000 or more, whereas in 1948, 16.2 percent exceeded this amount. The average amount of assets at the end of 1948 was $63,680, but nearly half of all operating Federal credit unions had assets of less than $25.000.

At the close of 1948, Federal credit unions were operating in all the 48 States, Alaska, Hawaii, the Canal Zone, and the District of Columbia. New York had the largest number, with 527; more than half of the 4,058 operating Federal credit unions were in New York, Pennsylvania, California, Texas, and Ohio.

Tables showing the growth, changes in number, percentage distribution of size groups, and assets and liabilities of Federal credit unions will be found at the end of the report. The fiscal year of all Federal credit unions ends December 31, as provided by section 10 of the Federal Credit Union Act, and the principal operating statistics consequently are on a calendar-year basis. Reports on Federal credit union operations have been prepared each year since 1936.

Copies of the yearly reports, which contain comprehensive statistical data on the status and development of these organizations, are available in some libraries. One complete set of the reports is maintained by the Bureau of Federal Credit Unions where they may be inspected. A small number of copies of the report for the calendar year ended December 31, 1948, is available for distribution to persons making a request to the Bureau.

ESTABLISHMENT OF THE BUREAU

Public Law 813 (80th Congress) effective July 29, 1948, transferred administration of the Federal Credit Union Act from the Federal Deposit Insurance Corporation to the Federal Security Agency and provided for the organization of the Bureau of Federal Credit Unions. By administrative action the Bureau was made a part of the Social Security Administration. The field program of the Bureau of Federal Credit Unions is carried out by a staff of trained examiners who work under the direct supervision of a regional representative located in each of the following regional offices of the Federal Security Agency: Boston, New York (2), Atlanta, Cleveland, Chicago, Dallas, and San Francisco.

The establishment of the Bureau of Federal Credit Unions made necessary the revision of forms, procedures, and manuals. This was virtually completed at the close of the fiscal year 1949 when the Manual of Field Operations was issued.

STATUS OF FEDERAL CREDIT UNIONS—JUNE 30, 1949

As of June 30, 1949, 4,421 Federal credit union charters were outstanding, of which 4,301 were held by operating units. Of the remainder, 39 represented credit unions chartered late in the period that had not begun operations, and 81 represented credit unions in the process of liquidation. The 4,301 operating Federal credit unions as of June 30, 1949, had total assets of $284.3 million, total loans outstanding of $156.9 million, total shares of $261.9 million, and a total membership of 1.7 million. The total potential membership, which is the number of persons eligible for membership under the terms of all charters held by operating Federal credit unions, was 4.5 million.

A majority of Federal credit unions serve employee groups, but associational and residential groups have clearly demonstrated that they can operate successful credit unions. At the end of the fiscal year, Federal credit unions, including 39 recently organized that had not yet begun operations, represented different types of groups as follows:

Type of Group	Number as of June 30, 1949
Total	4, 340
Associational:	
Cooperatives	155
Fraternal and professional	151
Religious	190
Labor unions	115
Occupational (employee groups):	
Amusements	8
Automotive products	110
Banking and insurance	46
Beverages	26
Chemicals and explosives	97
Construction and materials	72
Colleges and schools	261
Electric products	131
Food products	235
Furniture	25
Glass	49
Government:	
Federal	454
State and local	222
Hardware	47
Hotels and restaurants	22
Laundries and cleaners	20
Leather	13
Machine manufacturers	132
Metals	245
Paper	73
Petroleum	250
Printing and publishing	94
Public utilities	214
Rubber	22
Stores	182
Textiles	89
Tobacco	2
Transportation	353
Miscellaneous	147
Residential:	
Rural community	57
Urban community	31

FEES PAID BY FEDERAL CREDIT UNIONS

Federal credit unions pay three types of fees to the Federal Government to help defray the cost of administering the Federal Credit Union Act. Each group applying for a charter pays a charter and investigation fee of $25. If the charter is not granted, only the $5 charter fee is refunded. Beginning with the first calendar year after the year in which the charter is granted, each Federal credit union pays an annual supervision fee of $10. Both the investigation fee of $20 and the annual supervision fee are the maximum permitted by section 5 of the Act.

Each Federal credit union pays a fee for the periodic examination made by the Bureau. These fees are assessed and collected under the provisions of section 6 of the Act, which states in part, "* * * The [Director] shall fix a scale of examination fees to be paid by Federal credit unions, giving due consideration to the time and expense incident to such examinations, and to the ability of the Federal credit unions to pay such fees, * * *"

From 1940 to April 25, 1949, examination fees were assessed and collected on the basis of 25 cents per $100 of the Federal credit union's assets at the time the examination was made or cost computed at the rate of $25.72 per examiner day, whichever was lower, with a minimum fee of $2.50 per examination. After a careful study of costs and after consultations with national leaders of the organized credit union movement, the Director of the Bureau of Federal Credit Unions fixed a new schedule of examination fees which became effective, after publication in the Federal Register, on April 25, 1949. The new fee schedule increased the rates to 35 cents per $100 of assets or cost computed at the rate of $32.08 per examiner day, whichever is lower, with a minimum fee of $3.50 per examination. These charges represent a 40 percent increase in the asset rate and a 25 percent increase in the examiner-day rate. The regulation establishing this fee schedule also provides that in December each year the costs making up the examiner-day rate will be recomputed and necessary changes made in the day rate to be applied in the following 12 months.

Under the fee schedule in effect before April 25, 1949, it was found that 8 percent of the Federal credit unions with assets under $25,000 and 86 percent ot those with assets of $25,000 or more paid examination fees computed on the basis of cost. For the 1,156 examinations made in the 6 months ended December 31, 1948, 70.5 percent of cost, as computed on the basis of the examiner-day rate, was recovered in the examination fees collected. There has been insufficient experience with the new fee schedule to disclose the average break-even point on Federal credit unions of various sizes.

Constant efforts are being made by the Bureau to develop more efficient and effective examination procedures. Examiners are encouraged to participate actively in the search for better methods of doing their job. Credit union officials and leaders are consulted at intervals for criticisms of the Bureau's policies and procedures and suggestions for improving the program. As a result, the average examination time per credit union has not increased materially during recent years, although the size and level of activity of Federal credit unions have risen substantially. This improved efficiency serves to reduce the cost of the programs to the Government.

New and small Federal credit unions need more guidance than those that are well established. The most economical and effective time to give this training to the credit union officials is at the time examinations are made. The time required to examine small credit unions is proportionately higher. In the 6 months ended December 31, 1948, the average assets per examiner-day for credit unions with assets of less than $5,000 was $1,281, while the average assets per examiner-day for credit unions with assets in excess of $500,000 was $62,484. Small Federal credit unions do not have the financial ability to pay the costs for these examinations.

The average size of Federal credit unions has increased steadily. Each year the number that pay examination fees computed on the cost basis has become larger. On the other hand, the chartering of new groups brings into being Federal credit unions that must go through a period of development during which they will be unable to pay the costs of examination. The rate of growth of newly-chartered Federal credit unions has increased rapidly during the past four years. Those chartered and organized during 1948 had average assets of $6,000 while those that were chartered during 1947 had average assets of $21,000 as of December 31, 1948.

During the fiscal year 1949, fees totaling $201,612 were collected from Federal credit unions, including investigation and charter fees of $10,770, supervision fees of $39,030, and examination fees of $137,375. It is estimated that fees totaling $231,326 will be collected during the fiscal year 1950.

PROGRAM OF THE BUREAU

The Federal Credit Union Act specifies in general terms tests of eligibility for groups that apply for Federal credit union charters. In addition to providing that eligible groups shall be granted charters by the Bureau after an investigation, the Act requires that the Bureau supervise and examine operating Federal credit unions.

When an inquiry is received from a group interested in organizing a Federal credit union, information is furnished by the regional representative for the area in which the group is located. If, after receiving such information, the group desires to apply for a Federal charter, a field examiner in the vicinity is assigned to make an investigation and to assist the group in executing the necessary forms. In making his investigation the examiner is governed by the definition of eligibility set forth in the Act and implemented by policies established by the Director of the Bureau in accordance with the Act. To be eligible, the group must have a common bond of occupation, association, or residence in a well-defined neighborhood, community, or rural district; it must have leaders of good reputation who are willing and able to assume positions of responsibility in the management and operation of the proposed credit union; and the economic advisability of organizing the credit union should be clearly established. The latter point is resolved on the basis of need of the group for cooperative thrift and credit services, the existence of a sufficient number of potential members, and conditions that warrant the assumption of reasonable growth and opportunities for successful operation. On the basis of the examiner's findings and the recommendation of the regional representative, the Director acts on the application. When the tests of eligibility are satisfactorily met, a charter is granted.

After the issuance of a Federal credit union charter, the regional representative concerned provides the assistance of an examiner to organize and establish the credit union. Manuals of instructions for the officers, directors, and committees are furnished, and the examiner gives whatever individual instruction is necessary.

The supervision of Federal credit unions, including periodic examinations, has a two-fold objective: to determine that the elected credit union officials are complying with the Federal Credit Union Act, their charter, and other applicable regulations as to the scope and character of their activities, which are limited to providing thrift and credit services for their members; and to determine that the officials are assuming their responsibilities for the sound operation and growth of the credit union. These federally chartered organizations do not operate with Federal funds, and their members' share accounts are not insured by the United States Government. Adequate supervision of these self-help organizations is a matter of good government, however, since citizens regard their Federal charter and Federal regulations as protection for their savings. Most of the people who serve as officials of Federal credit unions require training and guidance, particularly in the beginning. Since there is considerable turnover among these officials who are elected by the members at yearly meetings, instruction is a continuing part of the Bureau's program.

The periodic examination is the principal supervisory contact. It consists of fact finding, training and reporting. The fact finding includes a balance sheet examination and a survey of the over-all operations of the credit union. The officials are instructed in the correction of exceptions disclosed and in ways and means of improving service to members and in the efficiency of operations. At the conclusion of the examination the examiner reports his findings at a meeting of the credit union's elected officials and makes his recommendations. Following the meeting the examiner prepares a report of examination and submits it to the regional representative. The report is processed and typed by the regional office staff, and the original typed copy is furnished to the Federal credit union concerned.

The Bureau's supervisory program also includes action on requests for amendments of charters and bylaws; action on proposed variations in the prescribed standard accounting forms or procedures; review and analysis of semi-annual financial statements and supervisory committee audit reports; follow-up on recommendations and exceptions shown in reports of examination when seriously faulty operating practices or financial conditions are indicated in individual cases; investigation of reported shortages and defalcations; investigation concerning suspensions, mergers, and conversions; and supervision of Federal credit unions in the process of liquidation.

FEDERAL CREDIT UNIONS AS A PART OF THE AMERICAN ECONOMY

Funds accumulated by Federal credit unions as members' savings play an active role in the economy. Cash must be deposited promptly after collection in established banking institutions, and the operating funds of the Federal credit union are maintained as commercial checking accounts. Except in unusual instances, it is required that the depository selected shall be insured by the Federal Deposit Insurance Corporation. Federal credit unions may invest funds not needed to make loans to members only in obligations of the United States, shares of Federal savings and loan associations, and loans to other credit unions. If a Federal credit union has insufficient funds to meet the demand for loans to members, it may borrow from any source in amounts not to exceed 50 percent of its paid-in capital and surplus. Borrowed funds are obtained from banks or from other credit unions in most instances. Federal credit unions thus participate in the total savings and credit activities of the country.

In the 15 years since the enactment of the Federal Credit Union Act, Federal credit unions have done much to justify their existence in terms of service to the people of the United States. They have promoted thrift among their members, they have provided a source of credit at reasonable rates for their members, and they have established a further market for securities of the United States.

When measured in dollars and compared with other financial institutions providing similar services, the accomplishments of Federal credit unions seem modest. The significance of their accomplishments, however, is not disclosed by such comparisons. Federal credit unions deal in small amounts of savings and in small loans. They can and do serve people who cannot be effectively served by any other type of thrift and loan organization. Federal credit unions supplement rather than compete with banks, building and loan associations, and the savings bond programs of the Federal Government.

The average savings per member in Federal credit unions has increased steadily since the Act was passed. Both the amount of average savings, $151 as of June 30, 1949, and the trend point to emphasis on regular saving from current earnings. The accumulated savings provide a financial cushion for the members of Federal credit unions and their families and serve to increase the economic stability of the country.

Between 1934 and December 31, 1948, Federal credit unions granted nearly 9.5 million loans totaling $1.3 billion, an average of $138 per loan. The typical loan is too small to be profitable for most commercial lending agencies. This is the loan field served by the high-rate and usurious money-lenders. As compared with their rates, which are frequently charged to persons least able to pay them, Federal credit unions have saved their members more than $200 million over this period.

All Federal credit unions are small at the outset because the savings of members are the capital from which loans are made to members.

This is a fundamental characteristic of the plan. The Federal credit union is not beyond the reach of any eligible group, and it has within it potentialities for development at a rate and to a size commensurate with the needs of its members and the abilities of its officials.

Federal credit unions also teach financial management and responsibility. These organizations are managed and operated for the benefit of their members by officials elected by and from the membership of each credit union. Each Federal credit union has from 11 to 15 officials, of whom only one, the treasurer, may be compensated for his services. His pay, if any, is fixed by the members. Small Federal credit unions usually are operated entirely by officials who donate their services.

During World War II, a majority of the operating Federal credit unions were qualified issuing agents for Series E bonds. By the end of 1948 they had sold 13.2 million bonds with a total issue price of $451.2 million. At the end of 1945, more than half of the total assets of all Federal credit unions were invested in Series F and G savings bonds and in Treasury bonds. Besides providing thrift facilities and loan services for their members, Federal credit unions contributed substantially to the success of the war bond drives.

IMPROVING THE PROGRAM

The Federal Credit Union Act provides that a group interested in forming a Federal credit union shall be furnished information and forms necessary to make application for a charter, that operating Federal credit unions shall be examined, and that Federal credit unions shall be supervised. The Act, as amended, fixes the responsibility for providing these services on the Bureau of Federal Credit Unions. The quality of these services in the past has been cited by many credit union people as one of the reasons for affiliating with their Federal credit union.

Supervision and examination procedures developed to carry out the responsibilities under the Federal Credit Union Act have gained the favorable recognition of credit union supervisory agencies in the various States and in the provinces of Canada. Government officials in other countries, including Australia, India, Mexico, Philippine Islands, and China, have requested and have been furnished copies of procedural manuals and samples of standardized accounting forms developed for Federal credit unions. This evidence plus the accomplishment of Federal credit unions in terms of service to their members indicate that a degree of success has been achieved and that the Government's reputation for service to people has been established in one more program for economic betterment and stability.

The fees collected for the administration of the Federal Credit Union Act do not cover the cost of the program. The difference between the amount of fees collected and the costs of organizing and supervising Federal credit unions has been made up by Congressional appropriations. For the fiscal years 1949 and 1950 appropriated funds have been insufficient to provide the staff necessary to properly discharge the Bureau's responsibility as prescribed by the Federal Credit Union Act. It has not been possible to make annual examinations of Federal credit unions and to do the necessary developmental work to maintain the quality of the supervision. With the growth in the number and average size of Federal credit unions, the work load is becoming heavier and the percentage of examinations completed within the year is becoming smaller. A substantial increase in the number of field examiners is essential to protect the foundations of an expanding institution dedicated to improving the financial stability of workers and their families through the principle of self-help. The need for building personal savings and for providing less costly sources of credit for emergencies, as well as for the purchase of increasingly available durable consumer goods, is generally recognized today. An impressive start has been made during the past 15 years, and the prospects for future development are better than they have been at any time during that period. Additional funds are needed to build the Bureau staff to the strength necessary to carry out its responsibilities under the Federal Credit Union Act.

In addition to making annual examinations of operating credit unions and giving prompt service to groups interested in organizing Federal credit unions, an increase in the research and reporting function of the Bureau is important if a sound, well-balanced program is to be achieved. Research and development in supervisory techniques are needed to cope effectively with changing conditions and new problems. Such study would result in even greater efficiency in the use of personnel. Research and investigations of the problems of persons of small means in obtaining credit at reasonable rates would furnish the basis for useful reports to persons interested in organizing Federal credit unions and to officials of operating credit unions, would assist in keeping administrative policies up to date, would provide Congress with information that would be useful in evaluating legislation dealing with Federal credit unions, and would serve to extend Federal credit union services to more people. Research and reporting in this field is authorized by the Federal Credit Union Act, but funds have not been adequate to finance this function.

Supervision of Federal credit unions is costly because the elected officials are volunteers from all walks of life with varying abilities and amounts of pertinent previous experience. If the services are to be available where they are needed most, democratically selected officials from and by the groups to be served must be a continuing part of the plan. In 15 years of operation, experience has shown that this leadership can be successful if given proper guidance in the beginning and that well established Federal credit unions do, on the average, grow in size and efficiency of operation. Each year an increasing number reach that stage of development that enables them to pay the costs of examinations. If the process continues and the number and average size of Federal credit unions follow the growth pattern that is now becoming apparent, within a reasonable period of years the program can become self-supporting. This is the long-range goal of the Bureau. Its attainment will be hastened by full performance of the responsibilities specified in the Federal Credit Union Act, which can be accomplished only with adequate staff and operating funds.

CENTRAL DISCOUNT AGENCIES FOR CREDIT UNIONS

A need exists for an agency that will perform for credit unions the function served by the Federal Home Loan Banks for Federal Savings and Loan Associations. Appropriate legislation which will permit the establishment of agencies on a State or regional basis to provide discount facilities for both State and federally chartered credit unions is desirable.

OATHS AND ACKNOWLEDGEMENTS

The Federal Credit Union Act provides that persons who desire to form a Federal credit union shall subscribe to an organization certificate in duplicate before an officer competent to administer oaths. In some instances, difficulties are encountered in arranging to have such an officer present at the charter meeting, and time is lost by the Bureau employee who conducts the meeting. On occasion, it is necessary for officers, directors, committeemen, and members of Federal credit unions to sign forms pertaining to the supervision of their credit union by the Bureau.

Legislation permitting employees of the Federal Security Agency, as designated by the Administrator, to administer oaths on organization certificates and on such other forms as may be prescribed by the Director or by the Rules and Regulations of the Bureau of Federal Credit Unions would improve the efficiency and quality of service in the administration of the Federal Credit Union Act and is recommended.

FEDERAL CREDIT UNIONS PROMOTE GOOD INDUSTRIAL RELATIONS

As of December 31, 1948, 3,410 of the 4,058 operating Federal credit unions were serving employee groups. The organization of

Federal credit unions is being actively sponsored by employers and by labor unions. Employers have reported that Federal credit unions tend to keep their employees out of the hands of usurious money lenders, reduce the number of garnishments, promote better understanding among employees and improve employer-employee relationships. Evidence of the favorable attitude of management is the fact that more than 40 percent of the occupational-type Federal credit unions have been granted the privilege of payroll deductions for payments on shares and loans. Labor leaders state that Federal credit unions are effective instruments of self-help in promoting habits of thrift and providing small loans at reasonable rates.

In the field of industrial relations it is reasonable to expect that the contributions of Federal credit unions will become even more important in the future. At the end of June 1949, the number of employee Federal credit unions, their assets, membership, amount of members' savings and volume of outstanding loans were at all-time highs. This phase of the Federal credit union program will be improved by continuing research and better reporting to employers and their associations as well as to workers and their organizations.

General Administration

Direction and Coordination of Program Planning and Administration

Usual activities in the Bureaus of Old-Age and Survivors Insurance and Public Assistance and the Children's Bureau, as well as the Office of the Commissioner, were necessarily somewhat modified during the fiscal year to meet requests for technical assistance in connection with the public hearings before the House Ways and Means Committee on Administration bills H. R. 2892, the proposed "Public Welfare Act of 1949," and H. R. 2893, the proposed "Social Security Amendments of 1949," as well as for the executive sessions of the Committee prior to the introduction of H. R. 6000, as the "Social Security Act Amendments of 1949." The staff in the Division of the Actuary devoted considerable time to providing cost estimates on the proposed amendments to old-age and survivors insurance. In addition, the Chief Actuary was borrowed by the Ways and Means Committee during their consideration of social security amendments. Regularly planned work in the Division of Research and Statistics, provided for by section 702 of the Social Security Act, was necessarily put aside because of special assignments relating primarily to legislative proposals. This staff was called on for additional service for developmental work on Agency-wide programs, such as an integrated grant-in-aid formula for health, education, and welfare programs, the analysis of intrastate equalization plans under health and education programs, and review of flexible formulas for the educational construction program. With a staff too small to complete basic research, this Division now has to handle an increasing amount of its work by utilizing data accumulated or analysed in previous years.

To use more efficiently the reduced staff throughout the Social Security Administration, increased attention was given to advance work planning by the Commissioner and the program bureau directors. The bureau directors submit semiannual statements to the Commissioner on aspects of their work which they believe should be emphasized during the next 6 months, and the Commissioner and the directors discuss and agree on all proposals for both program development and major operating objectives. With this basic guide, the bureaus develop their 6-month work plan.

Steps were taken toward simplifying formal work plan requirements to make the bureau plans a more effective administrative tool for establishing areas of work to be emphasized during a specific period; laying out the work to be accomplished in accordance with available manpower, materials, and money; providing a systematic basis for making staff assignments; and establishing a time schedule for accomplishing the work during the period. Steps also were taken to bring the Division of Research and Statistics into the planning of the research projects and statistical activities of the program bureaus at earlier stages. There were improvements also in coordinating the processes of work planning, reporting on operations, and fiscal budgeting throughout the Social Security Administration.

Progress was made toward closer cooperation in certain welfare activities common to more than one bureau, including the submittal by the State welfare departments of plan materials to the Bureau of Public Assistance and Children's Bureau. Procedures are being developed under which a State welfare department may make one submittal of common plan materials required by both bureaus.

At the same time other efforts were made for closer interprogram operating relationships. Representatives of the several bureaus and the Office of the Commissioner, with other members of an inter-Agency committee representing also the Public Health Service, Office of Education, and Office of Vocational Rehabilitation, worked out both the new administrative relationships with the Agency's expanded Office of Federal-State Relations and procedures under which the State may make one submittal of plan materials which deal with the personnel merit system under which several State agencies operate, all of which cooperate with different bureaus in the

Federal Security Agency. This committee also developed procedures for joint handling and servicing of the grant-in-aid audits in the States' health, welfare, and employment security agencies.

Attention also was given during this fiscal year to expediting decisions by the Appeals Council referees in cases in which applicants for benefits have appealed from the decision of the Bureau of Old-Age and Survivors Insurance.

The Commissioner focused general attention on the policy of the Administration to give regional representatives increasing responsibility and authority to act within approved policies and standards. Operations are thus brought closer to the people served, and staff at headquarters is enabled to devote proportionately more time to developmental work. The Field Service Officer has worked intensively with the bureaus on this project of decentralization, starting with detailed review of the character and extent of existing delegations of authority to staff in the field. A study also was made of the relationship of area offices of the Bureau of Old-Age and Survivors Insurance to the field, regional, and departmental offices. Plans are being developed for further delegations of authority to the field staff.

Beginning with this fiscal year, information to the field staff from the Office of the Commissioner on policy decisions was reduced to a minimum, and more responsibility was placed on the program bureaus for providing the field with supplemental materials concerning official action taken by the Commissioner. The Commissioner also delegated additional authority to the program bureau directors with regard to personnel, budget, and other business management matters.

The Commissioner and the bureau directors have been exploring methods for using advisory groups and councils more effectively. Such use is in keeping with the principle that the citizen groups concerned with the results of the exercise of discretionary authority by government officials should advise in the development of public policy. Also, advisory committees or councils can make valuable contributions toward common understanding and mutual trust which promote harmonious and efficient cooperation in the public service.

Changes in organization and administrative arrangements resulting from Congressional action, which were referred to in the 1948 annual report, were a primary activity of the Commissioner and his immediate staff during the 1949 fiscal year. This was true also of the program bureaus, particularly the Bureau of Employment Security [12] and Bureau of Federal Credit Unions.[13] Apart from decisions on program coordination of the employment service and the unemployment insurance service in the Bureau of Employment Security, which are covered in an earlier chapter of this report, many administrative and procedural adjustments were made throughout the Social Security Administration. Toward the end of the fiscal year, when Reorganization Plan No. 2 of 1949 was pending in Congress, tentative plans were made to prepare for adjustments that would be necessary if the Bureau of Employment Security were transferred to the Labor Department. The objective of these plans was to preserve as far as desirable and possible the coordination of program planning and integration of operations which have been maintained in the Social Security Board and Administration since 1935 with respect to the unemployment insurance service and during the periods July 1939–September 1942 and July 1948–August 1949 with respect to the U. S. Employment Service. To assist in incorporating the Bureau of Federal Credit Unions into the Administration, materials were developed which identified those features of the Federal Credit Unions' program objectives which are harmonious with or supplement program objectives of the other bureaus of the Administration.

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[12] The U. S. Employment Service was transferred into the Bureau of Employment Security in the Social Security Administration as of July 1, 1948, and effective August 20, 1949, this combined Bureau was transferred to the Department of Labor.

[13] The administration of the Federal Credit Unions Act was transferred as of July 29, 1948, from the Federal Deposit Insurance Corporation, and this organizational unit became the fifth program bureau in the Social Security Administration.

The Commissioner and his immediate staff worked on problems arising from the transfer of the regional offices of the Social Security Administration to the Federal Security Agency. Under the new arrangement, one of the program bureau representatives in each Agency regional office serves as Social Security Officer in addition to carrying his regular program bureau responsibilities. Operating relations have been worked out between this Social Security Regional Officer and the Field Service Officer attached to the Commissioner's staff in Washington, on the one hand, and with the Federal Security Agency's regional directors and Division of Field Services, on the other.

The Field Service Officer initiated a series of informational letters to the social security regional personnel to provide a regular and orderly method of communication between headquarters and field on matters of common interest. The Agency's Division of Field Services subsequently established a periodic field communication document, and the Social Security Administration informational letter was merged with it.

Appropriation changes also required a reduction in training and staff-development services from the Office of the Commissioner. No basic training was provided for orientation of new employees during this fiscal year.

The Commissioner's staff has kept abreast of those recommendations of the Hoover Commission on Organization of the Executive Branch of the Government which were related to the work of the Social Security Administration and has developed plans for using materials in these reports in improving the operations of the organization in all constructive ways other than those which require legislative authorization or which could be initiated only outside the Administration. Staff members from the Commission and the Bureau of the Budget have cooperated in planning for the use of this material.

Throughout the year, efforts were continued to find a satisfactory arrangement for sustaining the basic publications—*Social Security Bulletin* and *Social Security Yearbook*—despite reduction in appropriations and the transfer to the Agency's Office of Publications and Reports of those members of the Commissioner's staff who edit these publications. Through these two publications the Social Security Administration makes available to the public essential statistics, research, and other information on operations and other current developments in the entire social security field. The importance and value of these publications to State agencies, employers, unions, libraries, and the general public warrant their continuation.

In adjusting to the transfer of informational activities from the Office of the Commissioner to the Office of the Administrator, efforts were made to develop arrangements consistent with the principle that informational activities are a part of the basic administrative job and their most economical and effective point of development is primarily in the program and operating bureaus.

International Cooperation

During 1949, the organizational phase of developments under the United Nations was largely completed, and emphasis shifted to technical considerations in the development of program and services. The intensified emphasis on all phases of technical assistance through international, regional, and national organizations has increased the demand for consultation on social security problems and for training opportunities in this country.

Two new programs are responsible for a considerable part of the increase in the number of foreign visitors to the Social Security Administration, who totaled 596 in the past year. The Economic Cooperation Administration has brought to this country technicians interested in the labor and social field. The Department of the Army has sponsored a reorientation program for technicians and officials from the occupied areas.

Service to the experienced foreign social welfare officials brought here under the auspices of the United Nations includes detailed technical consultation and arrangements with a wide variety of professional organizations—national, State, and local public and private agencies of all types, universities, schools of social work, clinics, and hospitals.

During the fiscal year 1949, the Administration supervised programs for 39 of these United Nations Fellows who were in this country for 3 to 5-month periods.

At the request of the Department of the Army, the Administration provided training opportunities for 12 German social welfare officials, who observed new developments in social welfare for a period of 3 months. The Administration cooperated with other Federal agencies, particularly the Department of Labor, as well as with national private organizations, in providing technical orientation to 81 additional German officials.

In addition to the technical consultation in the field of maternal and child health and welfare, provided under the Interdepartmental Scientific and Cultural Cooperation program, experts in other phases of social security—including general family welfare, social assistance, and social insurance—visited five Latin-American countries. Opportunities for training in this country were also arranged in the Bureaus for officials and staff members of Latin-American social security systems.

The Administration also participated in the preliminary planning under the President's Point Four program, for an expanded technical assistance program in less-developed areas, outlining types of projects and social services required to assure fulfilment of the social objectives of economic development in the less-advantaged countries.

Officials and staff members of the Administration have served as United States representatives on various United Nations commissions and organizations. Members of Bureau staffs who so participated are mentioned in the chapters dealing with the particular program. The Commissioner for Social Security, Arthur J. Altmeyer, carries the following assignments: United States representative on the Social Commission of the United Nations; expert member on the United Nations Staff Benefit Committee; United States member on the Permanent Inter-American Committee on Social Security and the Inter-American Conference on Social Security; and member of the International Labor Organization's Committee of Social Security Experts.

Mr. Altmeyer also is the Federal Security Agency representative on the interdepartmental International Social Policy Committee's Subcommittee on Social Welfare, of which he is chairman. The Director of the Bureau of Public Assistance, Jane M. Hoey, serves as his alternate and is acting chairman of the Subcommittee. The technical adviser to the Commissioner, Wilbur J. Cohen, serves as Federal Security Agency representative on the Subcommittee on Labor.

The Commissioner acted as chairman of the social welfare section of a national conference on international economic and social problems held June 2 and 3, 1949. The meeting, sponsored by the Department of State, brought together American voluntary agencies interested in the recent developments in international social programs. The section Mr. Altmeyer conducted discussed refugees, the United Nations advisory social welfare services program, the International Children's Emergency Fund, and the United Nations Appeal for Children.

The Chief Actuary attended a meeting of the Actuarial Subcommittee of the Committee of Social Security Experts of the International Labor Organization in Geneva, Switzerland, in September. At the conclusion of the Geneva meeting, he went to Athens for 3 weeks to furnish actuarial assistance on the Greek social insurance program.

Two social welfare attachés, appointed by the Department of State to the staff of the United States Embassies in Paris and New Delhi, were of continuous service to the Administration in informing staff here of new developments in social security in foreign countries and in keeping the foreign governments and private organizations in touch with American programs.

In connection with its work on international matters, the Administration made the necessary arrangements to secure consultation from the various affiliated agencies and organizations that make up the National Social Welfare Assembly.

Appropriations, Expenditures, and Personnel

Regular and supplementary appropriations, authorizations, transfers, and allotments to the Social Security Administration for the fiscal year 1949 (exclusive of social insurance benefit funds) totaled $1,122.8 million. Of this sum, $1,072.5 million represented grants to States for public assistance, maternal and child health services, services to crippled children, child welfare services, and employment security administration; the remainder was allocated to administrative expenses of the Administration in connection with the operation of these programs and of old-age and survivors insurance, with the administration of the Federal Credit Union Act, and with preparatory work for a White House Conference on Children and Youth in 1950.

Expenditures (exclusive of social insurance benefit funds) totaled $1,094.0 million, of which $1,046.5 million represented grants to States. The major increase in grants in 1949 was for public assistance which amounted to $166.8 million more than in 1948, largely because of increases in case loads and in Federal financial participation authorized by the 1948 amendments to the Social Security Act. About $39 million of the $47.5 million expended for administrative costs was appropriated directly from the Federal old-age and survivors insurance trust fund.

The Administration had 12,854 employees as of June 30, 1949. Of this number, 5,874 were in departmental offices and 6,980 were in field, area, and regional offices. The total number of employees is 35 less than the total a year earlier. This net decrease is the result of two major factors: transfers to the Social Security Administration of the United States Employment Service and of the Bureau of Federal Credit Unions, which resulted in an increase of 1,086 employees, and a decrease of 1,121 employees in the Office of the Commissioner and the program bureaus other than the Bureau of Federal Credit Unions. Several factors contributed to this decrease, the most important being the reorganization of the Office of the Commissioner, discussed earlier in this section, reductions in staff required in order to get within the limits of smaller appropriations for the ensuing fiscal year, and improvements in operations.

By the close of the fiscal year, substantially all employees who had been on military furlough during World War II had either exercised or relinquished their rights to reemployment. Almost one-third of all employees taken on the staff for the first time during the year were veterans.

Table 1A.—***Social Security Administration: Funds available and expenditures, fiscal years 1947–48 and 1948–49*** [1]

[In thousands; data as of June 30, 1949]

Item	Funds available [2]		Expenditures	
	1948–49	1947–48	1948–49	1947–48
Total	$1,122,807	$863,599	$1,094,002	$852,015
Grants to States	1,072,479	821,460	1,046,527	808,878
Unemployment insurance administration	141,700	67,167	139,564	67,167
Employment service administration		(3)		(3)
Reconversion unemployment benefits for seamen	2,420	3,170	2,298	3,170
Public assistance	905,402	726,123	885,182	718,359
Old-age assistance	905,402	726,123	683,620	562,374
Aid to the blind			19,478	16,401
Aid to dependent children			182,084	139,584
Maternal and child health and welfare services	22,750	22,000	19,424	18,115
Maternal and child health services	11,750	11,000	10,011	9,679
Services for crippled children	7,500	7,500	7,941	7,234
Child welfare services	3,500	3,500	1,472	1,203
Emergency maternity and infant care	207	3,000	59	2,067
Administrative expenses [4]	50,328	42,139	47,475	42,137

[1] Funds available and expenditures as reported by administrative agencies.

[2] Funds made available by regular and supplemental appropriations, authorizations, transfers, allotments and recoveries.

[3] Administered by the Labor Department.

[4] Funds made available and expenditures for salaries, printing and binding, penalty mail, and traveling expenses.

Source: Reports on status of appropriations, as submitted by the Office of the Commissioner and the Bureaus of the Social Security Administration.

Table 2A.—*Financing social insurance under the Social Security Act: Contributions collected and trust fund operations, fiscal years 1947–49*

[In millions]

Item	1948–49	1947–48	1946–47
Contributions collected under:			
Federal Insurance Contributions Act [1]	$1,690	$1,616	$1,459
Federal Unemployment Tax Act [2]	223	208	185
State unemployment insurance laws [3] [4]	989	1,007	1,002
Old-age and survivors insurance trust fund:			
Receipts, total	1,924	1,807	1,623
Transfers and appropriations [5]	1,694	1,617	1,460
Interest and profits on investments	230	191	163
Expenditures, total	661	559	466
Monthly benefits and lump-sum payments [6]	607	512	426
Administration [7]	53	47	41
Assets, end of year	11,310	10,047	8,798
State accounts in the unemployment trust fund:			
Receipts, total	1,144	1,154	1,137
Deposits [4]	984	1,007	1,005
Interest	160	147	131
Withdrawals for benefit payments	1,227	798	817
Assets, end of year	7,283	7,366	7,009

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[1] 1-percent contribution paid by employers and by employees on wages up to and including $3,000 a year.

[2] Tax paid only by employers of 8 or more. Employers offset against this tax—up to 90 percent of the amount assessed—contributions which they have paid under State unemployment insurance laws or full amount they would have paid if they had not been allowed reduced contribution rates under State experience rating provisions. Rate is 3 percent of first $3,000 a year of wages paid to each employee by subject employer; because of credit offset, effective rate is 0.3 percent of such wages.

[3] Contributions plus penalties and interest collected from employers and contributions from employees, reported by State agencies; corrected to July 1949.

[4] Contributions and deposits by States usually differ slightly, primarily because of time lag in making deposits.

[5] Includes amounts collected under the Federal Insurance Contributions Act and $375,000 for fiscal year 1946–47, $700,000 for fiscal year 1947–48, and $3,279,000 for fiscal year 1948–49 to meet administrative and other costs of benefits payable to survivors of certain World War II veterans as defined in title II of the Social Security Act Amendments of 1946.

[6] Before July 1, 1948, data represent checks cashed and returned to the Treasury; beginning July 1, 1948, represent checks issued.

[7] Data do not reflect actual expenses in the respective years because of bookkeeping adjustments.

Source: Compiled from *Daily Statement of the U. S. Treasury* and State agency reports.

Table 3A.—*Old-age and survivors insurance: Estimated number of families and beneficiaries in receipt of benefits and average monthly benefit in current-payment status, by family group, end of June, 1949 and 1948*

[In thousands, except for average benefit; data corrected to Sept. 20, 1949]

Family classification of beneficiaries in current-payment status	June 30, 1949			June 30, 1948 [1]		
	Number of families	Number of beneficiaries	Average monthly amount per family	Number of families	Number of beneficiaries	Average monthly amount per family
Total	1,769.2	2,554.2		1,476.2	2,162.7	
Retired worker families	1,180.9	1,568.9		968.7	1,289.3	
Worker only	800.7	800.7	$25.00	654.5	654.5	$24.40
Male	631.6	631.6	26.20	519.4	519.4	25.60
Female	169.1	169.1	20.40	135.1	135.1	20.00
Worker and wife	359.6	719.2	41.00	296.5	593.0	40.00
Worker and 1 child	13.2	26.4	39.50	11.6	23.2	38.80
Worker and 2 or more children	7.2	22.0	49.10	5.9	18.0	48.20
Worker, wife, and 1 or more children	.2	.6	52.90	.2	.6	53.40
Survivor families	588.3	985.3		507.5	873.4	
Aged widow only	236.3	236.3	20.70	188.6	188.6	20.50
Widowed mother only [2]	4.9	4.9	21.10	4.4	4.4	20.50
Widowed mother and 1 child	76.4	152.8	36.30	72.0	144.0	35.70
Widowed mother and 2 children	43.3	129.9	50.20	40.9	122.6	49.40
Widowed mother and 3 or more children	25.2	102.7	53.30	23.5	95.6	52.60
1 child only	102.4	102.4	13.50	89.4	89.4	13.30
2 children	46.1	92.2	26.40	40.6	81.1	25.90
3 children	18.4	55.1	37.40	16.7	50.0	36.70
4 or more children	23.6	96.3	48.90	21.2	86.6	48.10
1 aged parent	10.7	10.7	13.70	9.3	9.3	13.70
2 aged parents	1.0	2.0	27.00	.9	1.7	26.10

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[1] Represents revision of estimates published in table 3 of the 1948 *Annual Report.*

[2] Benefits of child or children were being withheld.

NOTE.—Totals do not necessarily represent the sum of rounded components.

Table 4A.—*Old-age and survivors insurance: Selected data on benefits and taxable wages, by State, for specified period, 1947–49*

[In thousands, except for average taxable wages; data corrected to Sept. 20, 1949]

State [1]	Monthly benefits in current-payment status, end of fiscal year		Payments certified, fiscal year			Workers with taxable wages, calendar year [4]	Amount of taxable wages, calendar year [5]		Employers reporting taxable wages, July–September [6]
	Number	Amount	Total [2]	Monthly benefits	Lump-sum payments [3]		Total	Average per worker	
1946–47 [7]	1, 832. 3	$35, 071	$434, 767	$406, 252	$28, 501	49, 096	$69, 088, 000	$1, 407	2, 478
1947–48 [7]	2, 162. 7	42, 391	530, 597	499, 315	31, 280	49, 200	78, 415, 000	1, 594	2, 620
1948–49 [7]	2, 554. 2	51, 520	626, 993	594, 744	32, 249	49, 600	84, 700, 000	1, 708	2, 700
Ala	37. 6	597	7, 333	6, 974	359	796	904, 652	1, 136	35
Alaska	1. 1	20	250	231	19	55	76, 546	1, 392	2
Ariz	9. 5	180	2, 194	2, 094	100	223	247, 199	1, 109	12
Ark	18. 0	276	3, 363	3, 216	147	395	335, 319	849	24
Calif	197. 4	4, 261	51, 646	49, 135	2, 511	4, 044	6, 277, 315	1, 552	215
Colo	19. 2	379	4, 584	4, 378	206	422	489, 202	1, 159	28
Conn	50. 8	1, 164	14, 066	13, 400	666	945	1, 643, 319	1, 739	40
Del	6. 2	132	1, 591	1, 522	69	181	222, 445	1, 229	6
D. C	9. 8	196	2, 441	2, 262	179	380	462, 631	1, 217	18
Fla	46. 6	911	11, 168	10, 726	442	932	932, 012	1, 000	53
Ga	36. 3	556	6, 886	6, 493	393	977	1, 065, 709	1, 091	43
Hawaii	6. 4	115	1, 388	1, 340	48	148	216, 002	1, 459	7
Idaho	6. 9	124	1, 514	1, 438	76	158	173, 140	1, 096	11
Ill	161. 4	3, 448	42, 527	39, 814	2, 713	3, 857	6, 234, 495	1, 616	182
Ind	73. 1	1, 445	17, 597	16, 704	893	1, 530	2, 303, 996	1, 506	71
Iowa	32. 1	585	7, 125	6, 760	365	684	834, 400	1, 220	51
Kans	24. 0	435	5, 275	5, 025	250	517	578, 416	1, 119	37
Ky	39. 8	674	8, 227	7, 859	368	705	828, 003	1, 174	34
La	28. 3	474	5, 827	5, 530	297	748	812, 735	1, 087	33
Maine	23. 3	448	5, 353	5, 169	184	353	412, 075	1, 167	19
Md	36. 2	716	8, 836	8, 293	543	836	1, 166, 684	1, 396	36
Mass	125. 8	2, 746	33, 134	31, 634	1, 500	1, 981	3, 177, 654	1, 604	93
Mich	113. 1	2, 389	29, 313	27, 676	1, 637	2, 561	4, 430, 483	1, 730	109
Minn	38. 6	775	9, 408	8, 959	449	922	1, 253, 579	1, 360	56
Miss	14. 9	212	2, 615	2, 482	133	391	325, 976	834	22
Mo	60. 7	1, 189	14, 483	13, 723	760	1, 398	1, 825, 719	1, 306	74
Mont	7. 7	152	1, 869	1, 765	104	158	190, 538	1, 206	12
Nebr	13. 5	244	2, 962	2, 817	145	365	412, 897	1, 131	26
Nev	2. 3	48	598	551	47	85	91, 234	1, 073	4
N. H	14. 5	288	3, 475	3, 319	156	228	298, 794	1, 310	12
N. J	107. 4	2, 401	29, 255	27, 690	1, 565	2, 045	3, 364, 076	1, 645	101
N. M	5. 0	81	995	953	42	151	144, 775	959	10
N. Y	304. 1	6, 508	79, 440	75, 059	4, 381	7, 284	10, 874, 752	1, 493	375
N. C	42. 4	653	8, 088	7, 634	454	1, 127	1, 227, 943	1, 090	46
N. Dak	3. 2	56	673	650	23	109	107, 960	990	10
Ohio	164. 8	3, 478	42, 429	40, 177	2, 252	3, 225	5, 346, 358	1, 658	135
Okla	22. 8	405	4, 944	4, 717	227	578	640, 869	1, 109	35
Oreg	32. 5	662	7, 974	7, 636	338	566	802, 325	1, 418	33
Pa	243. 0	5, 134	62, 370	59, 364	3, 006	4, 237	7, 028, 619	1, 659	173
R. I	22. 1	479	5, 783	5, 512	271	367	537, 667	1, 465	15
S. C	21. 7	316	3, 942	3, 707	235	615	638, 650	1, 038	22
S. Dak	4. 4	79	968	918	50	126	134, 770	1, 070	11
Tenn	35. 5	571	7, 031	6, 662	369	909	999, 064	1, 099	40
Tex	72. 6	1, 245	15, 397	14, 523	874	2, 302	2, 719, 190	1, 181	136
Utah	9. 0	170	2, 047	1, 976	71	217	265, 740	1, 225	11
Vt	7. 9	150	1, 809	1, 737	72	118	138, 517	1, 174	8
Va	41. 5	722	8, 862	8, 408	454	929	1, 100, 060	1, 184	44
Wash	48. 8	1, 045	12, 578	12, 047	531	855	1, 260, 534	1, 474	46
W. Va	39. 6	733	8, 896	8, 567	329	644	939, 560	1, 459	28
Wis	57. 9	1, 179	14, 401	13, 617	784	1, 194	1, 819, 199	1, 524	67
Wyo	3. 1	61	749	703	46	95	101, 203	1, 065	6
Foreign	10. 0	213	1, 312	1, 198	114	------	----------	------	------

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[1] State distribution estimated, except for monthly benefits in current-payment status and for employee accounts established.

[2] United States totals include lump-sum payments under the 1935 Act amounting to $13,000 in 1946–47, and $1,000 in 1947–48.

[3] Under the 1939 and 1946 amendments. For lump-sum payments under the 1935 act, see footnote 2.

[4] United States totals represent number of different workers employed in covered industries at some time during 1946, 1947, and 1948, respectively. State data represent workers employed in the State at some time during 1947; workers employed in more than 1 State counted once in each of the States in which employed.

[5] United States totals are for 1946, 1947, and 1948, respectively. State data represent 1947 taxable wages, distributed according to the State where wages were paid.

[6] Employer returns for July–September 1946, 1947, and 1948, respectively. A return may relate to more than 1 establishment if the employer operates several establishments but reports for the concern as a whole.

[7] See column heads for period to which data relate.

Table 5A.—*Old-age and survivors insurance: Benefits in current-payment status, payments certified, and workers with wage credits, fiscal years 1947–49*

[Corrected to Aug. 4, 1949]

Item	Fiscal year		
	1948–49	1947–48	1946–47
Benefits in current-payment status (end of period):			
Number	2, 554, 248	2, 162, 693	1, 832, 285
Primary	1, 180, 909	968, 682	797, 927
Wife's	359, 840	296, 711	245, 364
Child's	614, 714	556, 834	499, 246
Widow's	236, 394	188, 612	146, 124
Widow's current	149, 724	140, 807	134, 673
Parent's	12, 667	11, 047	8, 951
Total monthly amount	$51, 520, 000	$42, 391, 324	$35, 071, 472
Primary	30, 369, 096	24, 344, 534	19, 722, 150
Wife's	4, 898, 101	3, 948, 153	3, 206, 007
Child's	8, 043, 794	7, 175, 060	6, 328, 004
Widow's	4, 897, 656	3, 865, 451	2, 965, 620
Widow's current	3, 137, 870	2, 908, 578	2, 730, 446
Parent's	173, 483	149, 548	119, 245
Average monthly amount:			
Primary	$25. 72	$25. 13	$24. 72
Wife's	13. 61	13. 31	13. 07
Child's	13. 09	12. 89	12. 68
Widow's	20. 72	20. 49	20. 30
Widow's current	20. 96	20. 66	20. 27
Parent's	13. 70	13. 54	13. 32
Payments certified during period:			
Monthly benefits	$594, 744, 288	$499, 314, 611	$406, 252, 135
Primary	346, 376, 498	284, 588, 746	225, 415, 715
Supplementary	59, 972, 453	49, 633, 683	39, 418, 950
Survivor	188, 395, 337	165, 092, 182	141, 417, 470
Lump-sum payments	32, 249, 231	31, 281, 156	28, 514, 685
1939 and 1946 amendments	32, 248, 926	31, 280, 024	28, 501, 375
1935 act	305	1, 132	13, 310
Additional benefits under Section 210 (included in above figures)	$3, 582, 431	$3, 495, 918	$2, 899, 058
Monthly benefits	2, 903, 915	2, 340, 766	1, 254, 119
Lump-sum payments	678, 516	1, 155, 151	1, 644, 939
Estimated number of living workers with wage credits (mid-point of period—January 1): [1]			
Total	79, 100, 000	76, 900, 000	74, 800, 000
Fully insured	38, 300, 000	36, 800, 000	35, 100, 000
Currently but not fully insured	5, 100, 000	6, 200, 000	6, 400, 000
Uninsured	35, 700, 000	33, 900, 000	33, 200, 000

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[1] Not adjusted to reflect changes in insured status arising from (1) combined earnings under coordinated survivor provisions of the old-age and survivors insurance and railroad retirement programs, and (2) veterans deemed to be fully insured only under section 210 of title II of the Social Security Act, as amended in 1946.

Table 6A.—*Employment security: Selected data on unemployment insurance benefits, claims, employment, and finance, by State, for specified periods, 1946–49*

[Corrected to Aug. 26, 1949]

State	Beneficiaries,[1] fiscal year	Benefit payments, fiscal year			Weeks compensated, fiscal year (in thousands)	Initial claims,[4] fiscal year (in thousands)	Workers with wage credits,[5] calendar year (in thousands)	Employers subject to State law, June 30 (in thousands)	Funds available for benefits, June 30[6]	
		Total amount[2] (in thousands)	Average weekly benefit for total unemployment	Ratio of benefits[2] to collections[3] (percent)					Amount (in millions)	As percent of taxable wages
1945–46[7]	5,303,295	$1,091,062	$18.76	108.2	58,985	10,840	43,000	1,139	$6.733	10.8
1946–47[7]	4,057,500	833,718	18.05	83.2	46,908	9,559	45,500	1,286	7,031	10.1
1947–48[7]	3,820,774	[8] 752,539	18.19	74.7	42,367	9,870	45,600	1,370	7,393	9.6
1948–49[7]	5,644,975	[8] 1,192,701	19.91	120.6	61,290	14,524	[9] 45,900	1,425	7,309	9.3
Alabama	73,345	12,356	16.06	103.4	788	151	743	9	61	6.8
Alaska	8,264	2,217	23.67	161.6	95	9	60	2	10	11.6
Arizona	16,654	2,364	19.03	63.7	142	47	230	7	28	10.9
Arkansas	41,401	5,181	16.37	80.8	356	82	418	26	38	9.6
California	665,653	210,237	22.55	185.7	9,424	1,761	4,182	238	637	9.7
Colorado	15,936	2,035	16.03	34.3	129.	42	363	6	54	12.0
Connecticut	124,589	29,486	20.65	382.7	1,481	275	927	19	175	11.0
Delaware	7,589	1,154	15.82	84.1	76	17	182	7	15	7.1
District of Columbia	14,270	3,334	17.40	131.8	199	23	444	18	45	9.3
Florida	62,572	8,159	13.82	101.0	599	166	800	12	75	9.2
Georgia	64,710	9,333	14.33	83.2	671	149	925	12	102	10.0
Hawaii	11,544	2,620	21.26	102.1	135	21	147	8	24	10.7
Idaho	11,698	2,177	18.91	53.5	119	20	183	13	24	11.9
Illinois	419,439	70,378	18.76	111.6	3,889	828	3,506	53	506	8.4
Indiana	94,303	17,802	18.23	122.3	1,007	333	1,369	15	191	8.4
Iowa	24,900	3,960	16.81	39.8	245	54	618	10	89	11.3
Kansas	25,182	3,779	16.33	51.5	238	50	437	7	63	11.5
Kentucky	55,103	9,833	15.10	68.3	656	131	599	15	117	14.2
Louisiana	47,831	11,016	18.76	64.4	611	130	771	17	101	11.0
Maine	55,143	8,260	15.78	128.9	543	127	281	5	42	10.6
Maryland	122,241	18,388	20.15	121.3	960	228	861	38	124	10.0
Massachusetts	371,799	79,290	23.03	182.2	3,607	713	1,981	95	144	4.4
Michigan	266,586	50,056	20.89	62.9	2,406	744	2,417	25	297	6.9
Minnesota	50,930	9,038	15.84	64.8	581	102	815	31	124	10.1
Mississippi	33,708	4,707	14.54	87.6	335	71	359	6	44	13.9
Missouri	106,305	16,977	16.86	67.3	1,062	264	1,179	16	184	10.5
Montana	10,584	1,914	16.82	47.8	115	20	171	13	30	13.3
Nebraska	10,806	1,515	15.67	64.7	99	24	274	5	34	9.8
Nevada	6,642	1,476	20.39	92.0	73	16	96	4	13	13.7
New Hampshire	42,758	7,238	17.38	180.5	436	88	192	5	25	8.4
New Jersey	264,735	64,879	20.51	128.5	3,253	625	1,928	41	444	13.4
New Mexico	6,708	1,105	17.86	30.2	66	15	176	10	20	10.2
New York	982,802	259,062	22.32	168.8	11,644	3,799	6,375	171	947	8.7
North Carolina	107,460	12,768	12.74	63.7	1,036	228	902	14	155	12.1
North Dakota	3,430	650	18.46	37.7	35	6	90	2	9	9.1
Ohio	185,603	37,163	18.69	94.0	2,027	443	3,162	74	554	10.2
Oklahoma	33,710	5,247	16.66	64.7	385	80	549	8	48	7.6
Oregon	74,892	12,806	17.42	92.9	752	155	538	16	82	10.1
Pennsylvania	404,137	71,608	17.80	111.6	4,094	1,023	4,215	185	626	8.7
Rhode Island	129,166	25,656	21.92	327.3	1,190	245	335	9	34	6.2
South Carolina	46,219	7,827	16.97	101.0	476	123	496	6	53	8.5
South Dakota	3,680	529	17.43	48.4	31	6	95	2	9	8.3
Tennessee	104,725	17,860	14.21	120.3	1,276	166	841	10	101	9.8
Texas	63,389	8,118	14.79	30.7	567	161	2,113	29	209	8.0
Utah	17,641	4,236	23.57	124.4	178	36	215	12	33	11.5
Vermont	15,362	2,518	18.30	117.3	142	27	106	2	16	11.3
Virginia	82,364	8,968	15.68	121.6	589	143	918	12	83	7.9
Washington	117,421	25,526	19.28	95.8	1,350	257	841	50	147	10.9
West Virginia	63,700	8,606	16.30	55.3	544	120	568	7	92	9.0
Wisconsin	71,208	10,703	20.19	92.9	548	173	1,096	20	219	12.2
Wyoming	4,138	585	19.21	34.8	31	8	119	7	12	9.2

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[1] Based on number of first payments.

[2] Adjusted for voided benefit checks.

[3] Contributions, penalties, and interest from employers, and contributions from employees. Adjusted for refunds and contributions and for dishonored contribution checks.

(*See end of following table for rest of footnotes.*)

Table 7A.—*Employment security: Selected employment service activities by State, fiscal years 1947–49*

[Data corrected to Aug. 31, 1949]

	New applications	Counseling interviews		Referrals			Placements			Employer visits
		Total	Initial	Total[1]	Agricultural[1]	Nonagricultural	Total[1]	Agricultural[1]	Nonagricultural	
1946–47	7, 612, 876	1, 438, 524	786, 415	(2)	(2)	(2)	7, 013, 784	1, 631, 531	5, 382, 253	1, 977, 587
1947–48	6, 595, 646	1, 418, 605	784, 376	12, 670, 019	2, 497, 092	10, 172, 927	7, 773, 174	2, 290, 128	5, 483, 046	2, 591, 159
1948–49	7, 622, 103	898, 985	490, 491	16, 652, 860	8, 029, 985	8, 622, 845	12, 435, 115	7, 543, 508	4, 891, 607	2, 372, 544
Alabama	155, 321	20. 804	7, 162	278, 246	81, 734	196, 512	202, 942	76, 974	125, 968	85, 199
Alaska	13, 465	2, 272	1, 009	15, 925	256	15, 663	9, 106	53	9, 053	2, 870
Arizona	52, 574	6, 910	3, 834	101, 928	44, 555	57, 373	74, 758	38, 604	36, 154	24, 306
Arkansas	74, 962	9, 364	3, 646	1, 052, 843	909, 408	143, 435	993, 400	905, 620	87, 780	62, 039
California	971, 132	62. 210	46, 076	1, 097, 074	397, 714	699, 360	701, 497	327, 800	373, 697	137, 497
Colorado	63, 358	7, 717	4, 948	246, 575	149, 708	96, 867	195, 237	136, 091	59, 146	39, 783
Connecticut	185, 843	10, 717	6, 404	167, 902	13, 447	154, 455	88, 413	11, 558	76, 855	19, 402
Delaware	17, 769	2, 810	1. 235	33, 448	5, 412	28, 036	20, 696	6, 037	14, 659	4, 827
District of Columbia	54, 675	8, 690	4, 309	60, 967	80	60, 887	36, 340	69	36, 271	5, 032
Florida	160, 741	11, 973	6, 264	285, 558	68, 506	217, 052	176, 811	38, 739	138, 072	59, 865
Georgia	136, 228	11, 263	6, 990	263, 775	86, 405	177, 370	181, 823	79, 540	102, 283	70, 324
Hawaii	24, 134	487	378	16, 392	435	15, 957	8, 642	339	8, 303	3, 032
Idaho	22, 567	2, 626	1, 422	113, 559	63, 752	49, 807	91, 888	56, 746	35, 142	15, 749
Illinois	236, 801	21, 831	12, 737	383, 452	67, 409	316, 043	205, 677	55, 850	149, 827	92, 233
Indiana	207, 046	8, 244	4, 195	224, 329	15, 706	208, 623	102, 412	13, 091	89, 321	19, 528
Iowa	95, 037	9, 040	7, 162	171, 704	43, 386	128, 318	117, 854	38, 631	79, 223	38, 340
Kansas	56, 212	8, 293	2, 874	180, 744	45, 237	135, 507	116, 178	39, 077	77, 101	35, 021
Kentucky	124, 272	17, 557	9, 942	102, 461	26, 668	75, 793	51, 067	23, 819	27, 248	21, 815
Louisiana	121, 421	13, 994	5, 662	194, 565	74, 771	119, 794	142, 398	75, 468	66, 930	50, 675
Maine	41, 900	4. 525	1, 073	136, 872	76, 117	60, 755	108, 781	71, 568	37, 213	19, 029
Maryland	131, 386	7, 271	3, 643	141, 541	40, 244	101, 297	96. 146	38, 819	57, 327	30, 325
Massachusetts	217, 312	37, 759	30, 565	235, 114	6, 766	228, 348	106, 224	5, 037	101, 187	58, 384
Michigan	504, 843	87, 401	57, 046	336, 018	97, 986	238, 032	199, 641	94, 902	104, 739	81, 142
Minnesota	128, 436	16, 397	9, 018	224, 381	43, 905	180, 476	143, 069	35, 505	107, 564	65, 707
Mississippi	115, 466	20, 814	11, 898	1, 635, 110	1, 493, 939	141, 171	1, 587, 910	1, 497, 626	90, 284	63, 872
Missouri	211, 577	7, 418	4, 197	405, 128	228, 918	176, 210	312, 791	228, 288	84, 503	34, 323
Montana	23, 004	2, 985	1, 907	62, 217	23, 342	38, 875	44, 127	17, 883	26, 244	20, 154
Nebraska	46, 049	5, 750	3, 452	102, 280	32, 536	69, 744	73, 438	27, 878	45, 560	39, 426
Nevada	16, 265	1, 735	1, 142	27, 587	4, 802	22, 785	22, 008	4, 232	17, 776	5, 691
New Hampshire	32, 103	2, 397	1, 433	36, 585	4, 095	32, 490	18, 169	3, 301	14, 868	7, 135
New Jersey	232, 367	10, 670	6, 965	277, 849	41, 037	236, 812	158, 465	41, 329	117, 136	42, 215
New Mexico	37, 228	1, 974	1, 022	134, 643	72, 505	62, 138	108, 779	63, 445	45, 334	26, 736
New York	502, 759	94, 655	37, 738	1, 123, 672	159, 739	963, 933	755, 068	155, 062	600, 006	80, 750
North Carolina	147, 924	23, 116	13, 341	467, 834	279, 689	188, 145	348, 528	236, 552	111, 976	67, 511
North Dakota	27, 095	1, 893	934	82, 932	35, 209	47, 723	53, 584	32, 241	21, 343	12, 044
Ohio	472, 855	50, 816	18, 157	521, 793	34, 352	487, 441	281, 499	28, 136	253, 363	111, 147

See footnotes at end of table.

Table 7A.—*Employment security: Selected employment service activities by State, fiscal years 1947–49*—Continued

[Data corrected to Aug. 31, 1949]

	New applications	Counseling interviews		Referrals			Placements			Employer visits
		Total	Initial	Total[1]	Agricultural[1]	Nonagricultural	Total[1]	Agricultural[1]	Nonagricultural	
Oklahoma	97, 548	21, 235	10, 388	978, 351	787, 961	190, 390	906, 737	782, 353	124, 384	79, 945
Oregon	93, 217	6, 289	4, 369	277, 887	174, 863	103, 024	237, 633	168, 766	68, 867	27, 018
Pennsylvania	544, 974	72, 636	44, 665	507, 136	31, 764	475, 372	238, 076	16, 013	222, 063	138, 185
Puerto Rico and Virgin Islands	1, 851	738	328	11, 262	1, 029	10, 209	7, 695	559	7, 136	9, 991
Rhode Island	55, 188	8, 524	3, 497	42, 222	128	42, 094	23, 281	75	23, 206	13, 836
South Carolina	95, 031	19, 743	13, 700	248, 835	100, 097	148, 738	186, 676	85, 133	101, 543	72, 605
South Dakota	13, 814	1, 222	603	51, 054	22, 887	28, 167	40, 864	22, 082	18, 782	13, 234
Tennessee	117, 226	19, 059	10, 271	1, 262, 760	1, 078, 337	184, 423	1, 124, 807	1, 009, 003	115, 804	73, 603
Texas	403, 893	67, 805	29, 925	1, 322, 383	678, 078	644, 305	1, 025, 356	601, 883	423, 474	241, 794
Utah	40, 668	6, 992	4, 771	78, 559	30, 262	48, 297	58, 300	28, 958	29, 341	20, 935
Vermont	16, 062	1, 303	985	23, 813	5, 461	18, 352	11, 579	3, 068	8, 511	8, 964
Virginia	122, 395	22, 779	7, 500	216, 580	85, 610	130, 970	153, 431	70, 089	83, 342	39, 773
Washington	118, 872	18, 676	8, 351	356, 709	224, 037	132, 672	294, 189	213, 702	80, 487	28, 413
West Virginia	61, 717	6, 013	4, 070	73, 137	1, 593	71, 544	32, 610	582	32, 028	17, 095
Wisconsin	167, 674	10, 684	6, 678	234, 366	33, 602	200, 764	141, 314	31, 761	109, 553	27, 736
Wyoming	9, 846	909	610	24, 803	4, 506	20, 297	17, 201	3, 571	13, 630	6, 289

[1] Data not comparable for periods prior to January 1, 1948. Full responsibility for farm placement program resumed by the Employment Service Jan. 1, 1948.

[2] Data not available.

(*Footnotes continued from table 6A.*)

[4] New claims, plus claims filed at beginning of an additional spell of unemployment during a previously established benefit year.

[5] Estimated number of different workers in each State with wages in covered employment in that State sometime in 1948; national totals for each of calendar years 1945 through 1948, adjusted for duplication resulting from employment of individual workers in more than 1 State during the same year.

[6] Sum of balances in State clearing accounts, benefit-payment accounts, and unemployment trust fund accounts maintained in the U. S. Treasury.

[7] See column heads for period to which data relate.

[8] Excludes $1,815,653 benefits paid to Seamen for Fiscal year 1948–49 and $3,280,372 for fiscal year 1947–48.

[9] Preliminary estimate.

Table 8A.—*Employment security: State accounts in the Federal unemployment trust fund,* [1] *and Federal grants for State administration,* [2] *by State, fiscal year 1948–49*

[In thousands]

State	Deposits	Interest	Withdrawals	Balance, end of year	Federal grants for administrative fiscal year
Total	$985, 065	$159, 982	[3] $1, 243, 363	$7, 262, 844	[4] $142, 737
Alabama	11, 948	1, 331	11, 775	61, 295	2, 380
Alaska	1, 230	233	2, 200	10, 003	389
Arizona	3, 661	592	2, 490	28, 127	995
Arkansas	6, 402	806	5, 200	37, 498	1, 243
California	113, 355	14, 731	212, 000	625, 606	16, 486
Colorado	5, 913	1, 131	2, 130	54, 329	1, 047
Connecticut	7, 668	4, 015	29, 950	174, 512	2, 397
Delaware	1, 371	320	1, 120	15, 054	321
District of Columbia	2, 575	966	3, 360	44, 969	1, 014
Florida	8, 017	1, 579	8, 135	74, 314	2, 077
Georgia	11, 205	2, 174	9, 575	101, 909	1, 982
Hawaii	2, 565	501	2, 900	23, 177	341
Idaho	4, 148	508	2, 275	24, 422	728
Illinois	62, 905	10, 950	70, 800	503, 247	6, 714
Indiana	14, 561	4, 116	18, 450	189, 703	2, 745
Iowa	9, 555	1, 813	3, 900	88, 070	1, 215
Kansas	7, 300	1, 318	3, 710	63, 012	1, 190
Kentucky	14, 325	2, 443	10, 375	115, 946	1, 388
Louisiana	17, 080	2, 118	11, 075	100, 766	1, 833
Maine	6, 407	905	8, 250	40, 417	828
Maryland	15, 145	2, 727	18, 300	123, 524	2, 468
Massachusetts	43, 530	3, 634	79, 100	142, 239	5, 492
Michigan	79, 586	6, 185	50, 700	294, 284	7, 338
Minnesota	13, 920	2, 596	9, 300	123, 065	2, 373
Mississippi	5, 375	939	4, 745	43, 505	1, 474
Missouri	25, 205	3, 881	17, 270	183, 746	2, 108
Montana	4, 013	611	1, 940	29, 435	651
Nebraska	2, 345	718	1, 595	33, 952	748
Nevada	1, 593	285	1, 505	13, 234	468
New Hampshire	4, 009	576	7, 798	23, 977	709
New Jersey	50, 435	9, 858	105, 190	443, 664	5, 653
New Mexico	3, 660	403	1, 150	20, 002	661
New York	153, 365	21, 827	260, 000	943, 723	18, 458
North Carolina	20, 055	3, 257	12, 900	154, 078	2, 659
North Dakota	1, 703	176	625	8, 658	444
Ohio	39, 500	11, 876	37, 350	553, 991	6, 414
Oklahoma	8, 110	988	4, 950	47, 252	1, 566
Oregon	13, 784	1, 778	12, 950	82, 041	1, 924
Pennsylvania	63, 848	13, 495	72, 500	622, 661	10, 509
Rhode Island	7, 850	959	26, 600	31, 862	1, 126
South Carolina	7, 743	1, 141	8, 050	52, 192	1, 480
South Dakota	1, 096	194	535	9, 277	364
Tennessee	14, 016	2, 219	17, 700	100, 223	2, 406
Texas	26, 309	4, 287	8, 350	208, 828	4, 651
Utah	3, 410	708	4, 225	32, 479	803
Vermont	2, 145	351	2, 650	15, 772	485
Virginia	7, 330	1, 784	9, 150	82, 278	1, 577
Washington	26, 605	3, 169	26, 065	146, 209	3, 180
West Virginia	13, 994	1, 882	8, 900	89, 693	1, 195
Wisconsin	11, 506	4, 674	11, 000	218, 357	2, 131
Wyoming	1, 689	253	600	12, 264	388

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[1] Trust fund maintains a separate account for each State agency, in which are held all moneys deposited from State unemployment funds and from which State agencies withdraw amounts as required for benefit payments. Deposits include those not cleared by the Treasurer of the United States; interest includes accrued interest receivable; withdrawals include outstanding checks.

[2] Advances for unemployment compensation and employment service administration certified to State agencies during fiscal year.

[3] Includes $40,000,000 withdrawn by New Jersey for disability insurance benefits.

[4] Includes $161,000 granted to Puerto Rico for employment service administration. Also includes $3,360,000 for postage expenses but not distributed by State.

Source: Except for Federal grants, all data are compiled from data furnished by the Treasury Department, Bureau of Accounts.

Table 9A.—*Special types of public assistance under plans approved by the Social Security Administration: Number of recipients and average payment, June 1949, and total payments to recipients, fiscal year 1948–49, by program and State*

[Corrected to Sept. 15, 1949]

State	Old-age assistance			Aid to dependent children				Aid to the blind		
	Number of recipients, June	Payments to recipients		Number of recipients, June		Payments to recipients		Number of recipients, June	Payments to recipients	
		Average payment, June	Total, fiscal year (in thousands)	Families	Children	Average payment per family, June	Total, fiscal year (in thousands)		Average payment, June	Total, fiscal year (in thousands)
1946–47	2, 271, 007	$36. 06	$910, 330	396, 098	1, 009, 360	$61. 76	$254, 415	62, 085	$37. 88	$25, 810
1947–48	2, 367, 597	38. 18	1, 037, 554	449, 154	1, 145, 816	66. 21	325, 696	65, 797	41. 18	30, 531
1948–49	2, 625, 594	43. 60	1, 259, 445	536, 714	1, 365, 715	72. 71	414, 138	71, 196	46. 50	36, 458
Alabama	73, 344	22. 61	18, 063	13, 194	35, 949	36. 28	5, 105	1, 287	25. 02	344
Alaska	1, 497	55. 97	855	450	1, 078	69. 64	164	(1)	(1)	(1)
Arizona	11, 316	54. 86	6, 710	3, 158	8, 930	92. 70	2, 686	787	63. 07	533
Arkansas	55, 242	20. 95	12, 583	11, 458	29, 517	37. 17	4, 511	1, 752	24. 64	482
California	245, 294	70. 55	163, 340	24, 160	53, 898	113. 70	26, 891	9, 004	82. 54	7, 757
Colorado	47, 104	67. 08	40, 952	5, 052	13, 748	76. 61	4, 756	387	55. 79	253
Connecticut	16, 846	54. 01	10, 206	3, 499	8, 493	100. 38	3, 674	182	47. 77	91
Delaware	1, 509	28. 06	468	526	1, 556	72. 69	390	158	37. 16	58
District of Columbia	2, 629	41. 67	1, 285	1, 753	5, 311	79. 75	1, 542	240	43. 86	120
Florida	64, 946	40. 19	29, 245	22, 342	54, 706	41. 95	9, 745	3, 094	42. 21	1, 472
Georgia	93, 962	20. 54	21, 630	12, 316	31, 739	40. 85	4, 879	2, 546	25. 75	704
Hawaii	2, 306	35. 33	912	2, 081	6, 184	92. 20	1, 821	93	38. 75	39
Idaho	10, 473	46. 57	5, 684	2, 089	5, 277	94. 97	2, 214	203	51. 56	123
Illinois	126, 417	44. 87	63, 965	25, 003	63, 509	101. 27	26, 706	4, 553	46. 87	2, 425
Indiana	49, 938	35. 22	20, 504	9, 331	23, 068	55. 93	5, 575	1, 841	37. 60	808
Iowa	48, 465	48. 08	26, 672	4, 652	11, 920	62. 78	3, 350	1, 200	52. 88	722
Kansas	37, 275	50. 10	18, 742	5, 130	13, 242	82. 80	4, 722	767	52. 14	437
Kentucky	59, 182	20. 83	13, 051	19, 027	47, 875	38. 43	7, 379	2, 068	22. 13	497
Louisiana	118, 239	47. 05	61, 587	24, 323	63, 104	59. 08	13, 167	1, 673	42. 31	791
Maine	13, 714	41. 34	5, 740	3, 414	9, 419	81. 21	2, 819	659	42. 11	287
Maryland	11, 786	36. 88	5, 028	5, 297	16, 040	82. 95	5, 070	470	40. 83	217
Massachusetts	93, 230	61. 13	64, 915	11, 790	28, 754	112. 84	14, 421	1, 367	60. 65	896
Michigan	94, 632	42. 88	46, 278	24, 841	57, 494	86. 05	22, 745	1, 668	45. 83	852
Minnesota	55, 060	47. 15	29, 230	7, 566	19, 180	69. 17	5, 964	1, 057	55. 26	688
Mississippi	58, 051	18. 80	10, 895	8, 194	22, 172	26. 49	2, 270	2, 520	25. 79	717
Missouri	123, 883	42. 57	59, 168	23, 762	60, 549	53. 50	13, 826	(2)	(2)	(2)
Montana	11, 128	44. 93	5, 722	2, 120	5, 447	72. 42	1, 665	479	46. 23	249
Nebraska	23, 767	42. 00	11, 815	3, 342	7, 978	84. 01	3, 197	550	49. 85	306
Nevada	2, 420	54. 05	1, 441	(2)	(2)	(2)	(2)	(2)	(2)	(2)
New Hampshire	7, 111	43. 48	3, 513	1, 433	3, 622	87. 47	1, 325	313	46. 77	167
New Jersey	23, 653	47. 80	12, 389	5, 154	13, 361	84. 20	4, 814	686	53. 04	372
New Mexico	9, 416	34. 22	3, 669	4, 963	12, 727	52. 53	2, 893	444	38. 19	190
New York	116, 465	52. 74	71, 630	53, 106	123, 126	107. 20	62, 708	3, 768	59. 46	2, 574
North Carolina	54, 278	21. 55	11, 943	12, 178	34, 314	41. 48	5, 026	3, 661	30. 09	1, 219
North Dakota	8, 770	46. 56	4, 636	1, 723	4, 630	97. 97	1, 882	119	45. 99	63
Ohio	125, 638	46. 72	67, 105	12, 482	33, 864	61. 92	9, 745	3, 635	44. 79	1, 822
Oklahoma	100, 415	52. 10	59, 403	24, 140	61, 103	52. 20	14, 285	2, 656	53. 18	1, 597
Oregon	22, 980	48. 21	12, 684	3, 244	8, 160	107. 48	3, 713	383	55. 66	249
Pennsylvania	87, 785	40. 01	40, 924	46, 098	119, 196	91. 34	45, 382	(2)	(2)	(2)
Rhode Island	9, 653	45. 04	4, 854	3, 249	8, 040	85. 77	2, 906	158	51. 05	86
South Carolina	37, 674	24. 70	9, 787	7, 690	21, 914	35. 51	2, 743	1, 408	28. 73	428
South Dakota	11, 979	38. 02	5, 205	2, 033	5, 006	55. 36	1, 164	215	34. 57	83
Tennessee	59, 751	27. 15	17, 648	18, 943	51, 005	48. 14	9, 880	2, 259	36. 13	890
Texas	215, 723	34. 23	83, 930	16, 912	46, 942	47. 18	8, 685	6, 046	38. 58	2, 622
Utah	10, 058	50. 27	5, 895	3, 311	8, 407	106. 68	4, 046	201	54. 53	123
Vermont	6, 562	32. 13	2, 701	940	2, 554	48. 36	500	185	35. 67	88
Virginia	17, 952	20. 28	4, 030	6, 618	18, 792	44. 15	3, 079	1, 399	27. 47	410
Washington	69, 133	67. 11	49, 257	11, 047	26, 079	135. 44	13, 222	717	77. 59	615
West Virginia	23, 539	21. 35	5, 673	12, 803	34, 622	43. 53	5, 915	911	25. 02	256
Wisconsin	49, 316	41. 60	23, 237	8, 308	20, 843	95. 17	8, 465	1, 334	45. 38	672
Wyoming	4, 088	55. 63	2, 647	469	1, 271	97. 11	505	93	55. 46	65

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[1] Alaska does not administer aid to the blind.

[2] No approved plan in operation.

Table 10A.—*Special types of public assistance under plans approved by the Social Security Administration: Federal grants certified and total expenditures and percent from Federal funds, by program and State, fiscal year 1948–49*

[Amounts in thousands; data corrected to Sept. 15, 1949]

State	Federal grants certified [1]				Expenditures for assistance and administration					
					Old-age assistance		Aid to dependent children		Aid to the blind	
	Total	Old-age assistance	Aid to dependent children	Aid to the blind	Amount	Percent from Federal funds	Amount	Percent from Federal funds	Amount	Percent from Federal funds
1946–47	$613, 831	$491, 091	$108, 429	$14, 312	$960, 363	51. 6	$275, 704	38. 6	$28, 206	49. 9
1947–48	718, 359	562, 374	139, 584	16, 401	1, 093, 984	51. 8	352, 295	39. 4	33, 289	49. 4
1948–49	927, 897	718, 012	189, 415	20, 470	1, 326, 047	54. 8	446, 250	43. 1	39, 519	51. 9
Alabama	17, 334	13, 412	3, 677	245	19, 161	69. 0	5, 558	68. 6	371	66. 9
Alaska	570	461	109	(2)	892	52. 5	192	57. 5	(2)	(2)
Arizona	5, 234	3, 718	1, 263	253	6, 907	54. 1	2, 823	45. 0	555	45. 8
Arkansas	13, 004	9, 416	3, 251	337	13, 100	70. 8	4, 684	67. 9	502	67. 8
California	83, 554	72, 388	8, 210	2, 956	172, 768	43. 0	29, 530	28. 1	8, 280	34. 9
Colorado	17, 738	15, 493	2, 113	132	41, 882	36. 9	5, 088	41. 6	281	48. 7
Connecticut	6, 112	4, 868	1, 194	51	10, 587	47. 7	3, 876	33. 5	95	52. 9
Delaware	651	384	226	42	539	63. 9	452	49. 9	71	60. 4
Dist. of Columbia	1, 567	763	735	69	1, 425	56. 3	1, 678	45. 3	131	54. 5
Florida	26, 597	18, 619	7, 054	923	30, 380	60. 7	10, 510	64. 5	1, 539	60. 1
Georgia	20, 197	16, 307	3, 390	500	23, 141	70. 1	5, 173	66. 5	764	66. 7
Hawaii	1, 476	634	816	26	1, 049	58. 8	2, 055	41. 7	46	57. 0
Idaho	4, 057	3, 185	809	63	5, 938	54. 5	2, 326	35. 6	130	50. 1
Illinois	49, 046	37, 946	9, 617	1, 483	68, 016	56. 9	28, 387	34. 7	2, 659	56. 0
Indiana	16, 869	13, 035	3, 284	551	22, 075	61. 1	6, 238	57. 2	943	59. 7
Iowa	17, 177	15, 020	1, 753	403	28, 182	54. 7	3, 648	47. 1	790	50. 4
Kansas	13, 170	10, 873	2, 049	248	19, 906	55. 8	5, 127	40. 7	475	53. 5
Kentucky	14, 875	9, 544	4, 973	358	13, 722	70. 9	7, 656	67. 0	518	69. 9
Louisiana	44, 876	37, 099	7, 325	451	63, 860	58. 2	13, 951	54. 8	835	55. 3
Maine	5, 073	3, 558	1, 334	181	6, 097	61. 5	2, 946	45. 0	307	61. 3
Maryland	5, 817	3, 181	2, 503	134	5, 387	60. 2	5, 453	45. 2	229	60. 0
Massachusetts	37, 185	31, 996	4, 756	433	68, 389	45. 8	15, 200	30. 0	936	46. 1
Michigan	37, 214	28, 177	8, 523	514	48, 432	59. 1	23, 922	36. 3	889	58. 2
Minnesota	19, 867	16, 352	3, 125	389	30, 599	55. 6	6, 644	46. 7	780	48. 1
Mississippi	10, 790	8, 522	1, 756	512	11, 746	71. 5	2, 498	70. 8	751	66. 9
Missouri	45, 403	36, 374	9, 029	(3)	60, 864	60. 2	14, 638	62. 2	(3)	(3)
Montana	4, 549	3, 554	825	170	6, 038	59. 5	1, 789	44. 5	286	58. 3
Nebraska	8, 689	7, 203	1, 313	174	12, 647	59. 1	3, 463	37. 8	329	52. 9
Nevada	818	818	(3)	(3)	1, 551	53. 8	(3)	(3)	(3)	(3)
New Hampshire	2, 555	1, 973	488	94	3, 763	56. 6	1, 375	37. 8	178	55. 1
New Jersey	9, 437	7, 095	2, 114	228	13, 707	54. 1	5, 199	39. 8	424	52. 9
New Mexico	4, 344	2, 424	1, 794	126	3, 963	61. 3	3, 210	56. 3	213	59. 4
New York	57, 901	36, 976	19, 578	1, 347	78, 323	49. 2	69, 328	30. 4	3, 007	45. 9
North Carolina	13, 513	8, 946	3, 699	868	12, 755	70. 5	5, 464	67. 7	1, 412	62. 9
North Dakota	3, 478	2, 679	758	41	4, 951	54. 1	2, 009	36. 2	75	52. 7
Ohio	44, 362	38, 140	5, 057	1, 165	70, 163	55. 9	10, 722	47. 3	2, 042	57. 2
Oklahoma	44, 681	34, 022	9, 767	893	61, 323	54. 6	15, 090	62. 3	1, 664	54. 2
Oregon	8, 619	7, 217	1, 276	127	13, 376	52. 9	3, 954	32. 0	262	48. 6
Pennsylvania	42, 909	24, 740	18, 170	(3)	44, 429	58. 5	49, 543	38. 0	(3)	(3)
Rhode Island	4, 012	2, 794	1, 172	46	5, 100	53. 9	3, 051	38. 0	92	50. 3
South Carolina	9, 299	6, 937	2, 058	305	10, 428	67. 9	3, 008	70. 5	469	65. 2
South Dakota	4, 061	3, 279	726	56	5, 549	61. 3	1, 263	58. 9	89	62. 1
Tennessee	19, 353	12, 110	6, 674	568	18, 435	65. 9	10, 389	64. 1	919	62. 1
Texas	62, 936	55, 067	6, 159	1, 710	86, 745	62. 7	9, 307	64. 6	2, 791	61. 0
Utah	4, 691	3, 228	1, 398	65	6, 113	54. 4	4, 253	32. 0	128	50. 6
Vermont	2, 069	1, 682	334	54	2, 809	62. 2	540	62. 4	91	60. 9
Virginia	5, 701	3, 232	2, 162	306	4, 580	69. 6	3, 523	61. 3	467	64. 8
Washington	26, 724	22, 865	3, 619	241	50, 883	44. 3	13, 731	27. 3	636	38. 3
West Virginia	9, 014	4, 471	4, 354	189	6, 091	69. 7	6, 232	66. 4	274	66. 9
Wisconsin	17, 108	13, 847	2, 851	410	24, 489	60. 3	8, 999	34. 9	724	57. 3
Wyoming	1, 619	1, 389	195	35	2, 788	50. 6	553	37. 6	68	50. 2

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[1] Amounts of Federal grants certified in fiscal year; differ slightly from fiscal-year expenditures from Federal funds reported by States.

[2] Alaska does not administer aid to the blind.

[3] No approved plan in operation.

Table 11A.—*Maternal and child health and welfare services: Grants to States for maternal and child health services, services for crippled children, and child welfare services under the Social Security Act, and for emergency maternity and infant care, by program and State, fiscal year 1948–49* [1]

[In thousands]

State	Maternal and child health services			Services for crippled children			Child welfare services	Emergency maternity and infant care
	Total	Fund A	Fund B	Total	Fund A	Fund B		
Total	$11, 240. 2	$5, 746. 1	$5, 494. 1	$8, 161. 8	$4, 413. 1	$3, 748. 7	$3, 669. 4	$77. 9
Alabama	495. 1	144. 1	351. 0	286. 3	113. 6	172. 7	113. 0	0. 8
Alaska	120. 0	37. 4	82. 6	77. 3	36. 1	41. 2	28. 5	----------
Arizona	89. 8	59. 3	30. 5	100. 6	40. 5	60. 1	43. 9	----------
Arkansas	249. 0	81. 4	167. 6	206. 0	81. 2	124. 8	96. 1	2. 2
California	303. 1	260. 1	43. 0	325. 4	200. 1	125. 3	108. 6	----------
Colorado	145. 9	65. 2	80. 7	51. 8	48. 4	3. 4	46. 5	----------
Connecticut	100. 9	84. 4	16. 5	140. 4	58. 8	81. 6	40. 8	----------
Delaware	72. 5	43. 7	28. 8	22. 8	14. 6	8. 2	20. 7	----------
District of Columbia	130. 2	55. 7	74. 5	107. 5	49. 2	58. 3	21. 1	----------
Florida	204. 0	96. 4	107. 6	128. 2	88. 4	39. 8	49. 1	6. 2
Georgia	512. 8	131. 2	381. 6	254. 4	117. 3	137. 1	97. 5	----------
Hawaii	137. 6	50. 8	86. 8	126. 5	38. 6	87. 9	42. 5	5. 0
Idaho	94. 7	57. 1	37. 6	58. 0	42. 5	15. 5	19. 8	. 5
Illinois	296. 7	253. 4	43. 3	296. 7	195. 4	74. 3	121. 9	7. 5
Indiana	197. 4	116. 6	80. 8	112. 8	84. 6	28. 2	40. 9	----------
Iowa	106. 7	86. 5	20. 2	145. 6	85. 2	60. 4	112. 3	2. 9
Kansas	127. 5	78. 2	49. 3	71. 7	58. 8	12. 9	82. 7	----------
Kentucky	366. 1	113. 2	252. 9	260. 2	105. 3	154. 9	106. 3	. 4
Louisiana	344. 1	106. 5	237. 6	187. 6	96. 8	90. 8	67. 2	----------
Maine	95. 1	56. 3	38. 8	68. 5	48. 4	20. 1	60. 1	----------
Maryland	256. 5	90. 0	166. 5	159. 5	73. 2	86. 3	51. 4	----------
Massachusetts	301. 3	134. 0	167. 3	139. 4	117. 8	21. 6	51. 3	----------
Michigan	294. 0	194. 3	99. 7	203. 7	133. 8	69. 9	103. 9	6. 3
Minnesota	227. 6	140. 1	87. 5	157. 7	80. 1	77. 6	108. 3	. 7
Mississippi	339. 1	104. 7	234. 4	250. 9	92. 5	158. 4	100. 2	1. 7
Missouri	161. 7	105. 0	56. 7	162. 2	97. 9	64. 3	109. 9	----------
Montana	69. 7	51. 0	18. 7	77. 0	41. 9	35. 1	44. 1	4. 1
Nebraska	105. 1	71. 0	34. 1	83. 8	51. 0	32. 8	42. 4	----------
Nevada	50. 9	27. 0	23. 9	17. 2	10. 1	7. 1	35. 1	----------
New Hampshire	66. 4	43. 0	23. 4	44. 9	33. 6	11. 3	29. 8	----------
New Jersey	137. 0	121. 0	16. 0	191. 1	115. 2	75. 9	40. 7	10. 3
New Mexico	146. 7	54. 7	92. 0	74. 4	46. 4	28. 0	28. 3	----------
New York	510. 8	445. 0	65. 8	181. 5	139. 4	42. 1	76. 7	18. 7
North Carolina	339. 4	144. 7	194. 7	362. 8	135. 4	227. 4	147. 7	----------
North Dakota	92. 6	66. 1	26. 5	56. 4	42. 8	13. 6	35. 3	. 3
Ohio	338. 5	258. 3	80. 2	228. 8	188. 4	40. 4	76. 5	----------
Oklahoma	160. 6	88. 8	71. 8	191. 8	84. 0	107. 8	77. 6	1. 6
Oregon	100. 3	66. 0	34. 3	72. 6	56. 9	15. 7	47. 6	2. 0
Pennsylvania	448. 9	269. 1	179. 8	342. 9	257. 7	85. 2	148. 8	----------
Puerto Rico	479. 0	144. 6	334. 4	192. 6	96. 6	96. 0	87. 3	----------
Rhode Island	54. 2	37. 2	17. 0	75. 5	19. 6	55. 9	18. 9	----------
South Carolina	323. 5	98. 5	225. 0	273. 7	91. 4	182. 3	76. 2	----------
South Dakota	57. 4	38. 0	19. 4	85. 6	44. 7	40. 9	38. 6	----------
Tennessee	381. 0	120. 6	260. 4	195. 3	100. 3	95. 0	96. 7	1. 3
Texas	463. 7	294. 6	214. 1	373. 8	190. 2	183. 6	199. 2	4. 3
Utah	74. 1	59. 5	14. 6	104. 8	47. 5	57. 3	41. 4	----------
Vermont	53. 8	36. 3	17. 5	52. 4	37. 5	14. 9	35. 1	----------
Virgin Islands	57. 5	36. 3	21. 2	40. 2	30. 7	9. 5	19. 3	----------
Virginia	371. 4	120. 5	196. 9	316. 7	107. 9	208. 8	83. 1	----------
Washington	172. 5	99. 8	72. 7	107. 3	63. 9	43. 4	94. 3	----------
West Virginia	237. 2	94. 9	142. 3	137. 1	70. 2	66. 9	81. 1	----------
Wisconsin	188. 2	135. 2	53. 0	186. 3	100. 5	85. 8	98. 7	. 8
Wyoming	44. 4	23. 8	20. 6	20. 6	10. 2	10. 4	24. 4	. 3

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[1] Based on checks issued.

Table 12A.—*Federal Credit Unions: Number of members, amount of shares, and amount of loans outstanding December 31, 1935–48*

Year	Number of reporting credit unions [1]	Number of members	Amount of shares	Amount of loans
1935	762	118, 665	$2, 224, 610	$1, 830, 489
1936	1, 725	307, 651	8, 572, 776	7, 399, 124
1937	2, 296	482, 441	17, 741, 090	15, 772, 400
1938	2, 753	631, 436	26, 869, 367	23, 824, 703
1939	3, 172	849, 806	43, 314, 433	37, 663, 782
1940	3, 739	1, 126, 222	65, 780, 063	55, 801, 026
1941	4, 144	1, 396, 696	96, 816, 948	69, 249, 487
1942	4, 070	1, 347, 519	109, 498, 801	42, 886, 750
1943	3, 859	1, 302, 363	116, 988, 974	35, 228, 153
1944	3, 795	1, 303, 801	133, 586, 147	34, 403, 467
1945	3, 757	1, 216, 625	140, 613, 962	35, 155, 414
1946	3, 761	1, 302, 132	159, 718, 040	56, 800, 937
1947	3, 845	1, 445, 915	192, 410, 043	91, 372, 179
1948	4, 058	1, 628, 339	235, 008, 368	137, 642, 327

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[1] In 1945, 1946, 1947, and 1948, the number of operating and reporting credit unions was the same. In other years the number of credit unions which submitted financial and statistical reports was less than the number in operation at the end of the year.

Table 13A.—*Federal credit unions: Changes in number, 1935–48*

Year	Number of charters			Number of charters outstanding at end of year		
	Granted	Canceled	Net change	Total	Inactive credit unions	Operating credit unions
1935	[1] 906	----------	[1] 906	906	134	772
1936	956	4	952	1, 858	107	1, 751
1937	638	69	569	2, 427	114	2, 313
1938	515	83	432	2, 859	99	2, 760
1939	529	93	436	3, 295	113	3, 182
1940	666	76	590	3, 885	129	3, 756
1941	583	89	494	4, 379	151	4, 228
1942	187	89	98	4, 477	332	4, 145
1943	108	321	−213	4, 264	326	3, 938
1944	69	285	−216	4, 048	233	3, 815
1945	96	185	−89	3, 959	202	3, 757
1946	157	151	6	3, 965	204	3, 761
1947	207	159	48	4, 013	168	3, 845
1948	341	130	211	4, 224	[2] 166	4, 058

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[1] Includes 78 charters granted in 1934.

[2] Consists of 101 Federal credit unions in process of liquidation and 65 with charters granted but not organized.

Table 14A.—*Federal credit unions: Percentage distribution by amount of assets, 1935–48*

Year	All Federal credit unions		Percentage of Federal credit unions with assets of—			
	Number	Percent	Less than $1,000	$1,000 to $9,999	$10,000 to $99,999	$100,000 and over
1935	762	100.0	45.8	47.9	6.2	0.1
1936	1,725	100.0	27.1	59.8	12.9	.2
1937	2,296	100.0	20.0	58.6	20.7	.7
1938	2,753	100.0	15.8	55.7	27.5	1.0
1939	3,172	100.0	10.9	51.7	35.6	1.8
1940	3,715	100.0	9.9	46.5	40.8	2.8
1941	4,144	100.0	8.4	42.2	45.0	4.4
1942	4,070	100.0	6.1	41.2	47.1	5.6
1943	3,859	100.0	3.9	39.3	50.1	6.7
1944	3,795	100.0	2.7	36.2	53.3	7.8
1945	3,757	100.0	1.9	33.9	55.2	9.0
1946	3,761	100.0	2.0	30.6	56.5	10.9
1947	3,845	100.0	1.9	26.7	57.7	13.7
1948	4,058	100.0	2.5	23.7	57.6	16.2

Table 15A.—*Federal credit unions: Assets and liabilities, December 31, 1948, and December 31, 1947*

Assets and liabilities	Amount			Percentage distribution	
	Dec. 31, 1948	Dec. 31, 1947	Change during year	Dec. 31, 1948	Dec. 31, 1947
Total assets	$258,411,736	$210,375,571	$48,036,165	100.0	100.0
Loans to members	137,642,327	91,372,197	46,270,130	53.3	43.4
Cash	30,119,870	24,227,566	5,892,304	11.6	11.5
U. S. Government obligations	68,487,700	73,869,683	−5,381,983	26.5	35.1
Federal savings and loan shares	18,301,363	18,198,922	102,441	7.1	8.7
Loans to other credit unions	2,696,277	1,534,007	1,162,270	1.0	.7
Other assets	1,164,199	1,173,196	−8,997	.5	.6
Total liabilities	258,411,736	210,375,571	48,036,165	100.0	100.0
Notes payable	6,020,912	4,836,770	1,184,142	2.3	2.3
Accounts payable and other liabilities	815,199	809,549	5,650	.3	.4
Shares	235,008,368	192,410,043	42,598,325	91.0	91.4
Reserve for bad loans	7,698,222	6,236,960	1,461,262	3.0	3.0
Special reserve for delinquent loans	233,389	156,924	76,465	.1	.1
Undivided profits	8,635,646	5,925,325	2,710,321	3.3	2.8